FINANCIAL TIMES

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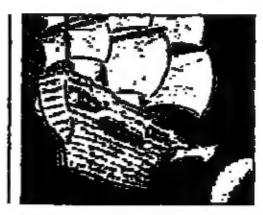

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WORLD NEWS

Six die as Moslems and Catholics clash in Jakarta riots

At least six people died and 30 were wounded during riots in Jakarta. Crowds of Moslems killed and mutilated five Catholics after accusing them of killing a Moslem. Page 18

EU regions could lose aid
Eleven European regions would lose access to a European Union fund to bridge the gap between rich and poor areas under tough eligibility criteria suggested by the European Commission. Page 2

Santer firm on deficits
European Commission president Jacques Santer dismissed calls to soften the EU's stability and growth pact, under which the fiscal deficits of participants in the euro-zone are to be restricted. Page 3

SEC in millennium bomb warning
The Year 2000 computer problem could cause far-reaching problems for US companies, from shutting down oil wells to forcing microprocessor plants to close, according to disclosures made to the Securities and Exchange Commission. Page 6

Israel seeks $1.25bn funding
Yaakov Neeman, Israel's finance minister, arrived in Washington to press the US for a $1.25bn funding package to implement peace accords. Page 6

Ban on British beef may end
European Union farm ministers are today expected to vote to lift a worldwide ban imposed on British beef exports more than two years ago in response to the BSE "mad cow" crisis. Page 7

House resolute on Clinton vote
The new leadership of the US House of Representatives appeared determined to push ahead with a vote on whether to impeach President Bill Clinton, in spite of signs of weakening support among Republican congressmen. Page 6

Malaysia offers people's forum
Malaysia hopes to end months of street protests against the administration of prime minister Mahathir Mohamad by giving its more than 20m people a forum through which they can criticise the government. Page 4

China gives pledge on currency
China will not devalue its currency in 1999 and the country is on course to meet its ambitious 8 per cent growth target this year, prime minister Zhu Rongj was reported as saying. Page 4

Military courts face challenge
The Muttahida Qaumi Movement, main political party in Karachi, is expected to challenge the introduction of military courts in the city. Page 4

Turkey acts against Italian groups
Turkey said it would exclude Italian companies from defence tenders in retaliation for Italy's refusal to extradite the Kurdish guerrilla leader Abdullah Ocalan to Turkey. Page 2

Thousands homeless after storm
Thousands of people lost their homes and crops were damaged as a severe cyclonic storm with heavy rains hit eastern India.

Lee Kuan Yew in hospital
Singapore senior minister Lee Kuan Yew, 75, was admitted to hospital for treatment of an infection following minor surgery.

Boost for HK housing market
Hong Kong's ailing property sector received a boost when more than 1,000 people bought flats at a prime development sale. Page 4

BUSINESS NEWS

EdF makes $3.3bn cash offer for London Electricity

Electricité de France has made an unconditional cash offer of more than £2bn ($3.3bn) for London Electricity in a bid to overcome potential competition and regulatory concerns and see off a rival offer from British Energy. Page 19

Heavy demand for Banca Nazionale del Lavoro shares turned the privatisation of Italy's last significant state-sector commercial bank into a success for the government. Page 19

Telecom Italia is in the final stages of negotiations with Rupert Murdoch to form a new Italian digital pay television partnership that will also include TF1, the French television network. Page 21

The volume of continental European buy-outs fell sharply in the first half of this year, sending a warning signal to UK and US private equity managers who have been directing increasing resources to the area. Page 23

Guardian Royal Exchange, the UK composite insurer, is in talks over the sale of all or parts of its business. The sale is likely to fetch more than £5bn. Page 19; Lex, Page 18

Deutsche Telekom, Europe's largest telecoms company, has appointed UK investment bank N.M. Rothschild to advise on selling stakes in its television cable network. Page 21

Barton Biggs, Morgan Stanley's celebrated strategist who recently announced it was time to buy Japan, is famous for his bold strategic calls. But perhaps this time he has backed a loser. Global Investor, Page 19

Company managements on both sides of the Atlantic will face renewed shareholder pressure when two of the largest institutional investors in the US and the UK join forces to improve corporate governance. Page 19

Toyota, the Japanese carmaker, reported record operating profits of Y286.8bn ($2.38bn) for the first six months. Page 23

Philip Morris, the US tobacco company, has reached an agreement to buy three cigarette brands for $300m – half of which will be paid even if the deal does not go ahead. Page 21

A group of foreign investors is demanding the early repayment of a $135m bond issue by Romania's state-owned electricity utility. They claim moves to restructure the company have increased the risks attached to the bonds. Page 21

Manulife Financial, one of Canada's largest life assurance companies, is preparing to form an alliance with Daihyaku, the Japanese life group. Page 21

Mitsui OSK Lines, the Japanese shipping company, is to acquire Navix, the world's largest tanker operator, creating the country's largest shipping group. Page 22

Philip Services, the Canadian waste services group, has staved off the threat of forced bankruptcy by agreeing to surrender 90 per cent of the company to US financier Carl Icahn and other debt holders. Page 21

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 35

Deutsche Bank close to sewing up takeover of Bankers Trust

Largest acquisition of a US financial group by a European bank nears completion

By William Lewis and Tracy Corrigan in New York

Deutsche Bank, Germany's largest bank, was yesterday working around the clock to be able to announce today the takeover of Bankers Trust, the eighth largest bank holding company in the US, in a deal valued at close to $10bn.

Bankers Trust's board was meeting in New York yesterday afternoon to consider formally Deutsche's all-cash takeover proposal, as the two sides scrambled to pull the deal together. Deutsche's board of managing directors met on Saturday.

The banks were forced to bring forward completion of their talks after details began to leak in US and German markets on Friday. They had been planning to announce the deal next week but weekend press reports led to frantic activity by both banks on Saturday and Sunday to enable the deal to be signed before US and European stock markets opened on Monday morning.

People close to the deal said on Sunday afternoon before Bankers Trust's board meeting that they expected the board to approve what would be the largest takeover of a US financial institution by a European bank.

An announcement is expected as early as this morning, although people close to the transaction cautioned that Deutsche had yet to complete its due diligence and wanted to do so before the deal was formally signed. Deutsche's proposed takeover of Bankers Trust represents the culmination of the German bank's long-standing efforts to build or acquire a large US investment banking presence.

Deutsche will also be acquiring one of the world's largest asset management and global custody divisions. Substantial job losses are expected.

Both banks yesterday declined to comment. However, people close to them said that Deutsche's offer was in the range of $90-$95 a share, valuing Bankers Trust at between $9.4bn-$9.9bn. The top end of the estimated range would represent a premium of approximately 23 per cent on the US bank's closing stock price on Friday of $77 $\frac{5}{16}$.

That would mean that Deutsche would be paying 2.3 times Bankers Trust book value of approximately $4.3bn – roughly in line with other recent investment banking acquisitions.

Since October 20, when the Financial Times disclosed that the two banks were holding talks, Bankers Trust's share price has risen by about a third.

While Deutsche would be able to afford the transaction from its cash reserves, the goodwill would put pressure on its capital adequacy ratios. Some people close to the bank suggested that it might tap the capital markets to help fund at least part of it.

Frank Newman, chairman and chief executive officer of Bankers Trust, is expected to stay on as co-head of the new US operation.

Mr Newman's decision to sell follows other mega-mergers in the financial services industry and recent global market turbulence that saw the US bank record a third-quarter net loss of $488mn or nearly $5 per share.

Bank's American dream, Page 24
Lex, Page 18

Barrel of laughs: President Bill Clinton jokes with Sergeant Major Charles Thomas after singing Happy Birthday to him during a visit to a US-South Korean military training centre yesterday. US uncertainty, Page 18 Reuters

Iraq hits at Butler as crisis rekindled

By Roula Khalaf in Baghdad and Gerard Baker in Seoul

Iraq yesterday accused the chief United Nations weapons inspector of provoking a new row over access to documents in an attempt to undermine the UN security council's promised review of sanctions against Baghdad.

Tariq Aziz, Iraq's deputy prime minister, said Richard Butler, head of the UN inspectors commission, was "either creating a superficial pretext to justify the American aggression or he is trying to confuse and undermine the comprehensive review".

The dispute, over inspectors' access to documents, threatens a fresh crisis, just over a week after Baghdad averted US military strikes by agreeing to co-operate with Unscom, the inspectors' commission.

The US and UK have warned that they were ready to strike and that the security council review depended on Iraq's willingness to comply with inspectors. Iraq is hoping the review will lead to a partial lifting of the eight-year-old UN sanctions.

As weapons inspectors resumed their work in Baghdad last week, Mr Butler wrote to Mr Aziz asking for 12 documents related to Iraqi disarmament.

Iraq's reply on Friday said relevant parts of a document relating to chemical weapons used during the 1980-1988 Iran-Iraq war could be examined by inspectors in the presence of the UN secretary-general Kofi Annan's special envoy to Baghdad.

But it maintained its long-held position that some of the other documents either did not exist or were related to questions Iraq had already replied to.

The US said yesterday that Iraq's objections to Mr Butler's requests for the documents were unreasonable. Sandy Berger, President Bill Clinton's national security adviser, said the UN had sought more information from Iraq, and Baghdad should co-operate. Questioned in Seoul, where he was accompanying Mr Clinton, he declined to say whether there was any deadline for a reply, but said: "We would hope they would respond positively and quickly."

Iraq paper chase, Page 6

Business chiefs in UK urge early Yes on joining Emu

By Kevin Brown and Robert Peston in London

Many of the UK's biggest companies call on the government today to abandon its cautious approach to European economic and monetary union and to make a definite commitment to join soon after the next election.

A statement signed by 114 senior UK business figures, including the chairmen and chief executives of 20 companies whose shares are in the FTSE 100 stock market index, says "Britain's best economic interest is likely to involve joining soon after Emu is established and the best policy for Britain is one based on the assumption that we will join".

Published in today's Financial Times, it is the first time such a wide cross-section of the British business community has made such an unambiguous demand for Tony Blair, the prime minister, to commit to Emu.

Signatories include the UK heads of some of the biggest inward investors in the country, including Bayer, Fiat, Vauxhall and Dresdner Kleinwort Benson.

Those signing today's statement do so in a personal capacity. They include Lord Tugendhat, chairman of Abbey National, the bank, and John Robb, chairman of British Energy.

The European Movement, which paid for the advertisement from corporate donations, estimated the combined turnover of all companies listed was £200bn, equivalent to about 25 per cent of UK gross domestic product. The statement falls short of asking for a definite timing on UK membership. "About half want a clear timetable, the rest want to wait," said Sir Bryan Nicholson, chairman of healthcare group Bupa and organiser of the initiative.

He said there was increasing concern in British industry that Tony Blair's Emu approach – that the UK would join if economic conditions are appropriate – is "too cautious".

Yesterday Nick Brown, the agriculture secretary, said it was "the objective of the government's economic policy" to secure Emu membership.

Santer's firm stance, Page 3
Business leaders' boost, Page 7
Time for clarity, Page 16

Poor areas set to lose EU funding under new criteria

By Michael Smith in Brussels

Eleven regions in nine European Union countries are set to lose access to a multi-billion dollar EU fund for boosting poor areas.

Official statistics, to be published this week, will show that at least half of Ireland would stop qualifying for the biggest regional aid fund under tough eligibility criteria suggested by the European Commission for the millennium.

One region in each of Germany, Spain, Italy, Belgium, Portugal and the Netherlands, and two in France, would lose eligibility. The UK would see a net gain; two regions would lose eligibility, but three would gain it.

The statistics, measuring regions' gross domestic product per capita, will fuel an EU debate over the so-called "structural funds" to help economically disadvantaged areas.

The Commission is seeking to reform the funds in advance of any enlargement of the EU in eastern Europe. It wants countries to set aside about Ecu218bn for the funds for the first seven years of the decade, an increase of up to a fifth on current spending. But it aims to concentrate aid in fewer regions.

It suggests the main fund, called "objective one", should have about Ecu140bn, but that allocations should be strictly limited to regions that have less than 75 per cent of the average EU per capita GDP. The GDP figures for 1994 to 1996, to be published this week by Eurostat are expected to be used as the basis for making assessments.

The statistics, which have been seen by the Financial Times, show that Ireland could miss out because it is treated as a single region and its GDP is 95 per cent of the average. However, it has asked Eurostat that it be treated as two regions, the second of which – comprising the West, Border and Midland areas – would still qualify.

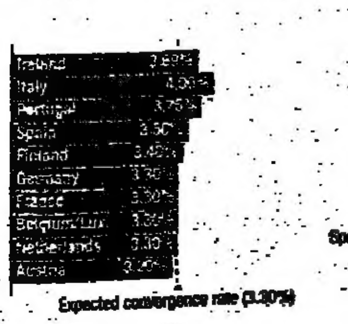
Cantabria, one of 11 "objective one" regions in Spain would lose its eligibility. Cantabria has a GDP that is 77 per cent of the average. Other casualties would be Germany's East Berlin (with a GDP that is 80 per cent of the average), Belgium's Hainaut (81 per cent), Italy's Molise (77 per cent), the Netherlands' Flevoland (77 per cent) and Portugal's Lisbon region (89 per cent). In France, Corsica (83 per cent), would lose its eligibility as would the *arrondissements* of Valenciennes, Douai and Avesnes which now have objective-one status because of their closeness to Hainaut in Belgium.

In the UK, the Highlands and Islands of Scotland (76 per cent) and Northern Ireland (80 per cent) would fail to qualify, but South Yorkshire (74 per cent), West Wales (71 per cent) and Cornwall (70 per cent) would gain eligibility.

Some countries will argue that the 75 per cent threshold is too restrictive. They will push for a higher limit or for exemptions.

This week's Eurostat figures exclude the French overseas territories which have low GDPs and so will push the average up. This will make qualification for funds difficult for other regions.

EURO INTEREST RATE CONVERGENCE



This chart shows the official interest rates of the 11 countries that will participate in Europe's forthcoming single currency. Analysts surveyed by Standard & Poor's MMS International expect the short-term interest rates of the 11 countries to converge at a 3.30% initial rate for the European Central Bank at the beginning of 1999.

Euro prices, Page 27

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Turks bar Italian defence groups

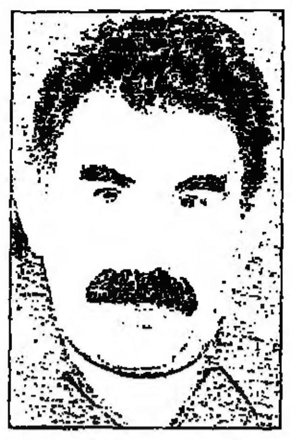
By James Blitz in Rome

Turkey said yesterday it would exclude Italian companies from defence tenders in retaliation for Italy's refusal to extradite the Kurdish guerrilla leader, Abdullah Ocalan, to Turkey.

The Turkish defence minister, Ismet Sezgin, was quoted by the Anatolian news agency as saying that his government would "re-evaluate our relations with Italy in all areas of the economy, not just the defence industry".

The Finmeccanica group's Agusta company was a likely candidate for a $3.5bn tender to build 145 attack helicopters for Turkey.

This is the most serious result so far of the tensions between the two countries over Mr Ocalan's arrival in Italy on November 12. The Italian government has warned its citizens to avoid travelling to Turkey in the immediate future, amid fears that diplomatic tensions could escalate this week.



Ocalan: Italy refuses to extradite the Kurdish guerrilla leader

Players with the Juventus soccer club threatened yesterday to boycott an international match in Istanbul on Wednesday because they feared for their safety.

After Rome's court of appeal rejected Turkey's request for the extradition of Mr Ocalan, leader of the Kurdish Workers' party (PKK), on Friday, the Italian foreign ministry advised Italians to postpone journeys to Turkey "that are not strictly necessary for business or personal reasons".

Turkey's prime minister, Mesut Yilmaz, reacted furiously to the court's decision and to its ruling that Mr Ocalan should be set free provided he stays in the Italian capital.

Mr Yilmaz said on Saturday night: "The whole world should know that if Italy persists in this disgrace, Turkey will not leave it unanswered."

Mr Ocalan, regarded in Germany and the US as a leading terrorist who has often oppressed his own people, is now living at a secret address near Ostia on the outskirts of Rome.

Last week, leading politicians close to the Italian government expressed the hope that Mr Ocalan might get political asylum and live full time in Italy. But following presure from Turkey and the US, the government now appears keen to get him extradited to Germany, which has an arrest warrant out for him, or to another state.

Massimo D'Alema, prime minister, insisted at the weekend: "It would be reasonable to expect an extradition demand on the part of Germany." But the German justice ministry reiterated yesterday that it would not be rushing to file such a request.

Nevertheless, hopes of an extradition to Germany were raised at the weekend when the German procurator-general filed a second arrest warrant for Mr Ocalan on a much broader range of criminal activities than the first one.

This includes charges of instigating bomb attacks in November 1993 and the murder of members of his own organisation in the 1980s.

The Ocalan affair is now certain to be at the centre of talks in Bonn on Friday between Mr D'Alema and Gerhard Schröder, the German chancellor.

Spain still gets most EU regional aid

By Michael Smith in Brussels

Spain will remain by far the biggest beneficiary of European Union regional aid even if its Cantabria region loses eligibility for the main fund, as official figures to be published this week suggest is likely.

Ten Spanish regions would still be eligible for "Objective One" funds expected to be worth up to Ecu140bn ($163bn) for all countries between 2000 and 2006.

That is four more than Italy and five more than Germany. Spain is also likely to do well in "Objective Two" funding for which unemployment rates are one of the main eligibility criteria.

Assuming governments back the European Commission's plans to give Objective One money only to regions which have less than 75 per cent of EU average gross domestic product, Belgium, the Netherlands and perhaps Ireland would lose all entitlement in this category.

Under existing arrangements Belgium's Hainaut region receives Objective One funding but the statistics to be published this week show that its average GDP for 1994/6, the likely period to be used by the Commission in assessing qualification, was 81 per cent of the EU average.

The Netherlands' Flevoland, with 77 per cent, would also drop out. Ireland, considered one region, would fail to qualify although it is pushing to be divided into two regions to allow one to meet the eligibility criteria.

Denmark and Luxembourg have no Objective One regions.

If France loses Corsica, with a GDP of 80 per cent, and the arrondissements round Valenciennes, only its overseas departments would qualify.

Austria's position would not change. Its only Objective One region, Burgenland, has a GDP at 71 per cent of the average.

Spain's qualifying regions would be Andalucia (57 per cent), Asturia (73 per cent), Castilla y Leon, just under 75, Castilla-la-Mancha (66), Ceuta y Melilla (71), Valencia (74), Extremadura (55), Galicia (62) and Murcia (68). The Canary Islands would also be eligible.

Several areas in Sweden and Finland would qualify because of low population densities.

Italy would have Basilicata (68 per cent), Calabria (59), Campania (66), Puglia (71), Sardinia (74) and Sicily (66) as qualifiers.

Germany would have Sachsen (63 per cent), Thuringia (60), Saxony-Anhalt (61), Mecklenburg (61) and Brandenburg (66).

The UK would have Merseyside (73 per cent), South Yorkshire (74), Cornwall (70) and West Wales (71).

All of Greece would probably be eligible for funds, although Notio Aigaio is around the 75 per cent level. All of Portugal except Lisbon would qualify.

Politicians in Russia condemn liberal MP's murder

By John Thornhill in Moscow

Russian politicians have expressed outrage at the assassination of Galina Starovoitova, one of the country's most outspoken liberal MPs, hailed as a "passionate tribune of democracy" by President Boris Yeltsin.

Mrs Starovoitova was shot dead in the entrance hall to her St Petersburg home late on Friday night in what her colleagues claimed was an overtly political killing. Her assistant was also seriously wounded in the attack.

"The shots that cut short her life have wounded every Russian for whom democratic ideas are dear. This impertinent challenge is directed at the whole of our society," Mr Yeltsin said.

The 52-year-old MP was one of the most prominent opponents of the hardline Communist coup of August 1991 and a vehement supporter of Mr Yeltsin – until the start of the Chechen war. More recently, she had condemned hardline nationalists and campaigned to censure General Albert Makashov, a Communist MP, for making anti-Semitic statements.

Galina Starovoitova: murder seen as political

The liberal Democratic Choice of Russia party, of which Mrs Starovoitova was a leading member, said it feared the murder was connected with forthcoming local elections in St Petersburg. "The fate of democracy in Russia is under threat. The forces of reaction and revanche in Russia have transgressed the boundaries of the permissible," it said in a statement.

Anatoly Chubais, a former senior minister and fellow liberal from St Petersburg, said there could be absolutely no doubt that the murder was political. "Who did Galina Starovoitova hinder? The answer is simple: Communists and bandits. She stood in the way of both categories of people," he said.

The Communist party denounced Mrs Starovoitova's murder and angrily rejected suggestions it was in any way connected to the attack. "It is very dangerous to speculate about the possible motives of the crime," said Victor Ilyukhin, a senior Communist MP. "It is even more dangerous to try to blame the Communist party for this simply because Starovoitova fought it."

However, Mr Chubais said General Makashov's anti-Semitic comments – which were only belatedly disowned by the Communist party – had helped create the climate for political assassinations.

NEWS DIGEST

AIRCRAFT ORDERS

Airbus wins $1.8bn order from Argentine airline

Airbus Industrie, the European consortium, has scored another success against Boeing of the US by winning a $1.8bn order from Aerolineas Argentinas.

The order for 12 wide-bodied A340 aircraft follows Airbus's success earlier this year in selling up to 179 narrow-bodied jets to LanChile, the Chilean flag carrier, TAM of Brazil and Taca, a group of five Central American airlines.

Aerolineas Argentinas, which already operates older Airbus aircraft, will buy six long-range A340-600s, four A340-200s and two A340-300s. It will use the aircraft to fly from Buenos Aires to Auckland, New Zealand, and to improve services to Paris and Rome. **Michael Skapinker, London**

CHINESE PRESIDENT'S RUSSIAN VISIT

Jiang seeks to bolster ties

Jiang Zemin, China's president, yesterday began a three-day visit to Russia to boost rapidly improving political and economic relations between the two giant neighbours.

Mr Jiang will hold an informal summit meeting with President Boris Yeltsin and is also expected to consult Yevgeny Primakov, the Russian prime minister, who is increasingly taking on the functions and appearance of a vice-president.

Russia has been keen to develop closer trade ties with China and forge a stronger diplomatic alliance to counter the hegemony of the US.

The two countries have previously pledged to increase bilateral trade to $20bn a year by 2000 – although these plans have been set back by Russia's deepening economic crisis. **John Thornhill, Moscow**

MALAYSIAN CENTRAL BANK MOVE

Boost for credit card holders

Bank Negara, the Malaysian central bank, reduced the minimum monthly payment on credit cards from 15 per cent to 5 per cent of the outstanding balance as part of efforts to revive the economy. The move, which the bank said was designed "to ease the cash flow burden of credit card holders", puts further pressure on lending institutions which have already been given lending targets. Bankers say Bank Negara has ordered them to provide loan growth of 8 per cent this year. Annual loan growth stood at 4 per cent at the end of October. While some of the biggest banks have their pick of the most creditworthy borrowers, bankers say many others are overwhelmed by bad loans and, therefore, cannot risk reducing their standards simply to meet the target. The authorities insist the banks have sufficient funds but are being too conservative.

They revised the classification of non-performing loans to those in default for six months, instead of the internationally recognised standard of three months, in hopes of convincing banks they are not in as much trouble as economists say. ***Sheila McNulty, Kuala Lumpur***

SYRIAN GAS CONTRACT

Elf, Conoco win $400m deal

The Syrian Petroleum Company (SPC) has signed a $400m contract with Elf Aquitaine of France and Conoco of the US to build a gas plant and other facilities. The contract will be Conoco's first in Syria. The cost of the project, which includes the construction of a gas-gathering system and a pipeline network, was not disclosed, but oil industry sources have put a $400m price tag on it.

Syrian officials said the project would gather gas from the Dayr Azzawr area north-east of Damascus and transfer it to the gas treatment plant, which will pump the clean gas into Syria's gas network through a 250km pipeline. **Reuter, Damascus**

IRISH PM

Party image clean-up sought

Bertie Ahern, the Irish prime minister, urged his Fianna Fail party at its weekend annual convention to clean up its image, just as new revelations emerged in the inquiry into the private finances of his predecessor, Charles Haughey.

Mr Ahern pledged greater scrutiny of the financial affairs of politicians, amid signs that two government-appointed investigations into offshore tax evasion and planning irregularities are starting to make progress.

With Fianna Fail personalities the main targets of both investigations, Mr Ahern is anxious to distance himself from any damaging findings. **John Murray Brown, Dublin**

FBI REPORT

US crime at 23-year low

The US crime rate kept falling in 1997, hitting the lowest level in 23 years as police reported fewer murders and robberies, the FBI said yesterday. It said in a 420-page report detailing final US crime statistics for 1997 that there were nearly 13.2m serious offences last year, marking the sixth straight year the number of crimes has gone down.

Murders and robberies showed the steepest falls, each dropping 7 per cent in 1997 from 1996.
Reuters, Washington

Austrian's death raises questions

By Eric Frey in Vienna

The mysterious death of the Austrian businessman Hugo Michael Sekyra has raised questions about his involvement with the Czech chemicals and armaments group that manufactures the notorious explosive Semtex.

Mr Sekyra, former chairman of the agency running Austria's state-owned industries, was found shot in the mouth by a rifle in his Vienna apartment on Friday, a day after he had been definitely toppled as chairman of Chemapol, after a power struggle with its majority owner, Vaclav Junek.

Police said there was no sign of outside force and suggested Mr Sekyra killed himself because of financial difficulties with a frozen food company he owned.

The Czech media said Mr Sekyra told journalists two months ago they should not believe reports of suicide if something happened to him. Mr Sekyra pointed to several mysterious deaths among Chemapol's managers.

A few weeks ago, Mr Sekyra accused Mr Junek and other Chemapol managers of having illegally withdrawn large sums of money from the company and tried to gain control of the group. Mr Sekyra took over Austria's troubled state-owned industries in 1986 but the financial collapse of the aluminium group AMAG dashed his hopes of building a profitable conglomerate and he resigned in 1993.

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STABILITY AND GROWTH COMMISSION PRESIDENT WARNS AGAINST GIVING IMPRESSION THAT EURO-ZONE WANTS TO ABANDON ATTACHMENT TO SOUND POLICIES

Santer maintains firm stance on EU deficits

By Martin Wolf in Berlin

Jacques Santer, president of the European Commission, has dismissed calls to soften the EU's stability and growth pact, under which the fiscal deficits of participants in the euro-zone are to be restricted.

The pact "was not conceived only for periods of good weather", he told a conference in Berlin at the weekend. "Anybody who has read it knows it is flexible enough to take account of our present economic situation."

Mr Santer told the gathering, sponsored by the Herbert Quandt Foundation and Financial Times, that the European Union must not give the impression that it wished to abandon its attachment to sound economic and financial policies.

"I would consider this to be economically unfounded and politically imprudent," he said.

To those who argued that the pact should be adjusted to allow for greater public investment, he replied that it was possible to restructure public budgets, in order to generate growth and employment, without needing to raise budget deficits.

Mr Santer reacted with equal caution to calls for

EUROPEAN FORUM BERLIN — FT/Herbert Quandt Foundation conference

greater stability in foreign exchange markets, notably from Oskar Lafontaine, Germany's new finance minister. He pointed to experience with fixed rates in south-east Asia and the European exchange rate mechanism. "A sound economic, financial and monetary policy is, in all probability, the best way to limit currency instability."

While the EU's economic stability was important, it was not enough, admitted Mr Santer. The EU also had "to take on the global responsibility that corresponds to its economic size". To achieve this it had to speak with one voice. "I hope", he said, "that we can take a step in this direction at the European Council in Vienna in three weeks."

The EU provided 80 per cent of the help received by the successor states of the Soviet Union and three-quarters of the help given to the Palestinians. But, he asked, where was the EU's political presence?

Mr Santer said that, when the Asian crisis broke, several heads of state in the region asked him: "Where is Europe?" Europe had been present economically, but not politically. "Mean-spirited people in one European capital or another cry: 'This does not fall within Community competence'." But, he argued, this had nothing to do with competence. "It has simply to do with efficiency."

Jacques Santer: stability pact 'not conceived only for periods of good weather' — Reuters

The Commission president also discussed ways of reducing financial instability, focusing on the need for greater transparency, improved multilateral surveillance and reform of international financial markets.

A global financial market needed global rules, he said. "These we still lack, and we must change this in the coming months and years."

Among other things, it might be necessary to distinguish between short- and long-term capital flows.

Earlier in the forum discussions, Leszek Balcerowicz, the Polish deputy prime minister and finance minister and a participant in the forum, called on the EU to respond to efforts by Poland and other applicant countries to meet its requirements by speeding their membership. The case for enlargement rested on a rational calculation of advantage by EU members.

Mr Santer said the countries of central and eastern Europe "had achieved enormous things in recent years" and the continent now had the opportunity to overcome its historic divisions. He pointed out that accession negotiations had begun with six candidates. But enlargement would be costly, both for the EU and the candidates.

Mr Balcerowicz replied that far too much emphasis was being placed on costs, rather than opportunities. Enlargement was not a zero-sum game, he said.

INTERNATIONAL CAPITAL MARKETS NEW FINANCIAL ARCHITECTURE UNNECESSARY, SAYS BUNDESBANK CHIEF

Tietmeyer signals greater supervision

By Philip Stephens in Berlin

An early initiative by the leading industrial nations to tighten supervision of international capital markets was signalled by Hans Tietmeyer, the Bundesbank president.

But Mr Tietmeyer, who is heading a study by central banks to improve regulatory oversight, flatly rejected suggestions that the recent crisis in the global system required a new international financial architecture.

Mr Tietmeyer told the forum he would put his proposals to the Group of Seven finance ministers "within weeks".

The measures would focus on promoting greater co-ordination among different supervisory bodies in each of the biggest economies, and on enhancing the role of the International Monetary

Hans Tietmeyer: proposals to G7 'within weeks' — AP

Fund and World Bank. Warning of the risks posed by the present fragmented supervision, he added that national banking, securities and insurance regulators would be expected to work closely together.

In parallel, the IMF should intensify its Article IV surveillance of debtor countries and promote greater disclosure of the results of such exercises.

In comments echoed by other central bankers at the forum, Mr Tietmeyer said that the bail-out of Long-Term Capital Management, the US hedge fund, had also pointed to the need for greater transparency in the operations both of the funds and of the banks which provided their finance.

Mervyn King, deputy governor of the Bank of England, said banks which provided finance for hedge funds which declined to disclose their market positions should be asked to meet higher capital requirements than those banks investing in more transparent institutions.

In a reference to calls by several governments – including Germany's SDP-Green coalition – for more fundamental reforms of the financial system, Mr Tietmeyer dismissed the "buzzwords and big statements" about a new financial architecture. He also poured scorn on the idea of target zones to create more stability between the exchange rates of the dollar, euro and yen.

Mr King, however, appeared to signal the Bank of England's concern that tighter supervision, while essential, might be insufficient in itself to avoid a repeat of the capital market upheavals which have severely damaged many emerging economies.

He said the regular pattern of crises since the beginning of the 1980s had been "too frequent to be sustainable". Many nations might begin to conclude that the price of inclusion in the global system was now too high.

Such crises called for new initiatives to reduce the dependence of developing countries on short-term bank loans and to encourage a shift to debt finance.

China 'must speed domestic reform'

By Philip Stephens

The lesson drawn by the Beijing government from the recent crisis on international markets is that it must speed its domestic reforms, a Chinese policymaker told the forum.

The creation of robust financial institutions, however, would take time and China would have to pace carefully the shift to a more liberal capital regime.

Gang Fan, director of the National Economic Research Institute, said China had significantly more serious problems in its banking, financial and industrial sectors than those which had led to the crisis in South Korea. Until it reformed those institutions, China would have to weigh carefully the risks of opening up its economy.

Mr Fan said access to overseas finance had been used by some enterprises to conceal their domestic weaknesses. He cited in particular heavy borrowing from Hong Kong by companies on China's southern coast.

The country also faced the dilemmas of severe overheating and an asset price "bubble" alongside what he called a "serious problem" in the banking sector, though it expected to be able to hold its fixed exchange rate for another year.

The key to China's inclusion in the international financial system would be a proper "sequencing" of domestic reform and capital market liberalisation.

He called for understanding of countries such as Malaysia which had been obliged by the crisis in international markets to take a step back from liberalisation and to re-impose capital controls.

French seek tighter financial regulation

By Robert Graham in Paris and Emma Tucker in Brussels

The French government will today set out its proposals for helping create a single EU market in financial services that put the emphasis on tight regulation.

The French idea is cautiously worded to avoid an open conflict with plans unveiled last month by Mario Monti, the EU financial services commissioner. But under the guise of seeking greater protection for the consumer, the French proposals could be seen as a break with the kind of deregulation that is sought by Anglo-Saxon financial institutions and favoured by Mr Monti.

The French plan, which will be presented at the finance ministers' meeting in Brussels, reflects the belief that investors in highly deregulated markets are poorly protected and that such protection becomes even more important once transactions cross national frontiers with a single currency.

Thus the memorandum argues that insufficient attention has been paid to the legal aspects of deregulation. The French want to clarify how consumers can be protected in cross-frontier transactions. They also tackle the problem of where consumers dissatisfied with a service bought from another member state should seek redress.

The Commission would like the laws of the country from which a product is sold to apply to the providers. But this would prevent consumers taking legal action in their own country. The French suggest ombudsmen as a potential solution.

The French paper comes in response to an action plan presented last month by the European Commission, and proposes several improvements.

Clinton calls for chaebol reform

By John Burton in Seoul

Bill Clinton, US president, added his voice to a growing chorus demanding the restructuring of South Korea's big conglomerates, or *chaebol,* during his weekend trip to Seoul.

In a pointed criticism of the slow pace of *chaebol* reform, Mr Clinton told a televised news conference it was "very important that all segments of this society, including all the conglomerates, play their part" in the nation's economic reform efforts.

One senior US official described the top five *chaebol* as "the most serious remaining problem in the *South Korean economy*", because they accounted for 40 per cent of gross domestic product.

The sprawling *chaebol* empires have been blamed for Korea's economic crisis because of their over-expansion, which has resulted in excess production capacity and large debts that almost caused the collapse of the banking system.

But some Korean participants at an economic roundtable with Mr Clinton said he was too critical of *chaebol* reform efforts and asked for a more balanced judgment on the speed of corporate restructuring. Park Yong-ho, *chairman of the Doosan* group, said *chaebol* reform could take at least three years to complete, based on the experience of his business group, which has been cited as a model of Korean corporate restructuring, including the sale of assets to foreign investors. "The government is saying that we have to hurry and we have to be more quick in restructuring. But from my personal experience, I think it will take time".

"From my point of view, my impatience on the restructuring of the big five *[chaebol],* I would say it should take time and we *should be patient. But they* should begin," replied Mr Clinton as he pointed his finger in emphasis. "That's what we're interested in, are they going to begin?"

US officials have been dissatisfied with the *chaebol* since earlier this year when Robert Rubin, US treasury secretary, met *chaebol* leaders. The encounter convinced Mr Rubin that the *chaebol* were the biggest obstacle to economic reforms in Korea.

Aside from the *chaebol* issue, Mr Clinton was generally supportive of the economic reforms under Kim Dae-jung, Korean president.

"We admire the tough choices Korea has taken," he said. "It is encouraging that interest rates have fallen and the currency has stabilised." But he warned Korea about a surge in steel and semiconductor exports to the US and requested Mr Kim "to make sure we have special care to prevent unfair trade practices or subsidisation" for these products. US steelmakers have complained about cheap steel imports from South Korea, Japan and Russia.

Chaebol reform, Page 17

MALAYSIAN DISSENT GOVERNMENT HOPES 'OUTPOURING OF FEELINGS' MEASURE WILL END STREET UNREST

Kuala Lumpur offers forum for protests

By Sheila McNulty in Kuala Lumpur

Malaysia is hoping to end months of unprecedented *street protests against* the administration of Mahathir Mohamad, prime minister, by giving its more than 20m people a forum through which they can criticise the government.

Control over the media and laws against more than five people gathering with*out a permit have kept a lid* on many critics, preventing them from expressing themselves *during Dr Mahathir's* 17-year rule.

Mohamed Rahmat, information minister, said the "Outpouring of Feelings" nationwide campaign will begin this week, when books will be set up in public places, such as shopping malls, for people to write what they choose.

"It is a way in which the government can ascertain *how far the people are sup*porting its actions and measures taken in addressing the country's problems," Mr Rahmat said. "The purpose is to get a true picture."

Anti-government protests by tens of thousands spilled in to the streets in Septem*ber, when Dr Mahathir* sacked his deputy and heir apparent, Anwar Ibrahim, for allegedly having "low morals". Mr Anwar launched a *reformasi*, or reform, movement and was arrested and detained for nine days before emerging with a black eye. He is now being tried on 10 *charges of sodomy* and corruption, which he insists are part of a conspiracy to pun*ish him for becoming* Dr Mahathir's political rival.

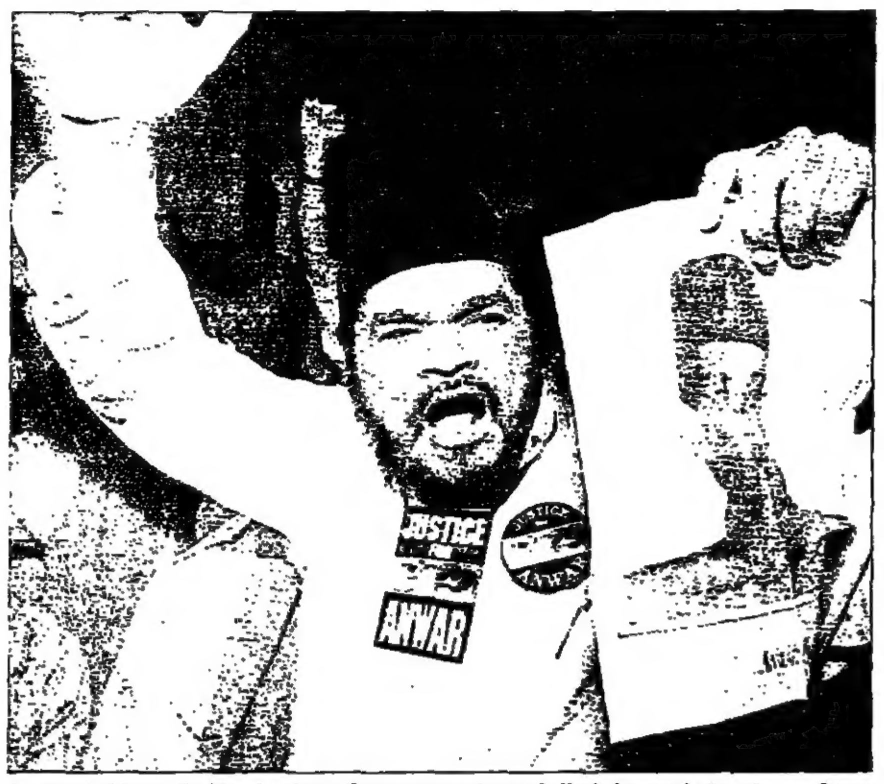
The authorities have used beatings, chemical-laced water, tear gas and arrests to end the street demonstrations. But although the protests now usually only number in the hundreds, they have persisted.

At the weekend, about 200 Malaysians demonstrating after evening prayers for jus*tice for Mr Anwar and the* resignation of Dr Mahathir were once more dispersed with chemical-laced water and police wielding canes.

The cause has been weakened by a resurgence of nationalism after Al Gore, US vice-president, lent support to the *reformasi* movement during a gathering of Asia-Pacific leaders last week. *Dr Mahathir's efforts* to build up Malaysian patriotism over the years have led many Malaysians to resent interference in their affairs by outsiders, particularly by the US.

Local newspapers have been filled with outrage against Mr Gore's remarks and the way he made them, without first meeting Dr *Mahathir privately and then* refusing to join him for dinner. Individuals have stood on the streets handing out Malaysian flags as well as bumper stickers saying: "Raise the Flag".

"US Vice-President Al Gore's statement backing the *reformasi* movement shows there is a foreign conspiracy interfering in our *domestic affairs and foreign* elements are backing the movement." Mr Mohamed said.



A support of Anwar Ibrahim shouting anti-government slogans in Kuala Lumpur last week Reuters

Karachi military courts face challenge

By Farhan Bokhari in Islamabad

The Muttahida Qaumi Movement (MQM), the main political party in Pakistan's troubled port city of Karachi, is this week expected to challenge the introduction of military courts in the city. The MQM's legal approach to the Supreme Court follows the weekend arrest of two of its legislators on charges of possessing illegal weapons.

Shoaib Bukhari and Wakil Jamali could be the first pol*iticians to be tried by the* military courts, and it is the first time in recent memory that a civilian government has assigned the military to conduct trials.

This has been denounced by some opposition politicians as a "mini martial law", although the government says it is a necessary step to halt growing unrest.

The MQM hopes the Supreme Court will overturn the introduction of the military courts and revert back to a civil judicial system. The courts, which are expected to begin functioning this week, are bound to give verdicts within 72 hours. Those convicted will be allowed only one appeal to a higher military court but will have no recourse to appeal in a civilian court.

At least 900 people are believed to have been killed this year in gun battles *between rival groups in the* city. Nawaz Sharif, prime minister, has defended the *military courts as necessary* in order "to protect lives of the people" and "in the larger interest of the city and the country".

Mr Sharif's Pakistan Moslem League (PML) last month broke a ruling alliance with the MQM in the southern province of Sindh, *of which Karachi is the capi*tal. The break came over the government's allegations that gunmen responsible for the recent killing of a former provincial governor were members of the MQM. The movement has *denied* the charge. Mr Sharif then imposed direct federal rule in Sindh, *suspending* the provincial legislature and transferring all administra*tive powers to the provincial* governor appointed by his government.

Meanwhile, the MQM has appealed to all opposition parties to unite in resisting the government's recent measures. Altaf Hussain, the movement's leader, based in exile in London, said on Saturday: "We are prepared to work with all political parties on a one-point agenda of resisting the government." In a telephone interview, Mr Hussain warned that the *military courts would only* aggravate the situation by "increasing a sense of deprivation among the population".

Human rights activists say that the military courts set a dangerous precedent.

Hong Kong property market gets boost

By Louise Lucas in Hong Kong

Hong Kong's ailing property sector received a boost at the weekend when more than 1,000 buyers purchased flats at a prime development sale and speculators reappeared *after being largely absent for* most of the year.

The property sale was the first since last week's 25 basis point cut in interest rates, which lowered the best lending rate to 9.5 per cent. The sale also coincided with noticeable changes in sentiment regarding the economy. Although the majority of economic indicators paint a gloomy outlook and forecast the economy will contract 5 per cent this year, general sentiment has *improved, helped by lower* interbank interest rates since the government launched a massive defence of the Hong Kong dollar in August.

Take-up levels at property developments are good indicators for the government, which froze land sales in June and must now decide whether to recommence *sales in March next year.* The government is under pressure to do so even earlier from some politicians, who argue that if land sales are banned now, the territory will have a dearth of homes in one or two years' time, when developments will be completed.

However, the property developers – especially those with the large land banks – *are less keen to see a speedy* resumption of land sales. The government says it is *still monitoring* the situation.

Despite the 85 per cent take up rate at the weekend pre-sale of flats (the units will not be completed until the year 2000), many analysts believe the property market is not ready to turn around, despite a virtual halving in prices since the peak of last year. The devel*opment sits on top of one of* the airport railway stations, giving it a prime location.

Tony Darwell, property analyst at Nomura Securities in Hong Kong, is forecasting a further decline of 20 to 25 per cent as supply rises and price wars between developers results in more mark-downs.

Investors have recently been buying property devel*opers' stocks on the assump*tion that the market has bottomed out – share prices in the *sector* have been at the forefront of the past two months' 30 per cent gain on the stock market.

No currency devaluation next year, Beijing promises

By James Harding in Shanghai

China will not devalue its currency in 1999 and the country is on course to meet its ambitious 8 per cent growth target this year, Zhu Rongji, prime minister, was quoted as saying at the weekend.

The Chinese leadership has repeatedly pledged to hold the currency steady in the interests of Asian finan*cial stability and the devel*opment of China's economy. But Mr Zhu's explicit no-devaluation pledge for next year is likely to bolster confidence in the currency, coming in the wake of recent comments from other senior Chinese officials who fell short of making a firm com*mitment for 1999.* "China will not devalue its currency in 1999," the official China Daily quoted Mr Zhu saying.

The Chinese prime minister also offered a confident *outlook on the economy,* underlining the political importance Beijing attaches to the growth target that the leadership promised to achieve at the outset of the year.

'China expects to meet its planned target of 8 per cent growth this year'

"China expects to meet its planned target of 8 per cent economic growth this year, *despite the Asian financial* turmoil and this summer's unprecedented floods," Mr Zhu said.

He added that China's economy in 1999 was expec*ted to grow at about the* same rate as this year, according to the report.

Official figures show China's gross domestic product grew 7.2 per cent in the first nine months of this year. Exports fell 17.3 per cent year-on-year, in October, the third straight month of nega*tive growth. However, in a* telling report in the China Securities newspaper, investors were warned not to be too optimistic about corporate earnings as the slowing economy could hit the results of listed companies this year.

"Our country's economic growth is slowing this year and a recovery is still at its initial stage," the official newspaper said. "This has exerted a negative impact on most enterprises."

*In a separate signal of con*fidence, it was also reported that the next batch of mainland Chinese companies was preparing to list on the Hong Kong stock exchange.

Looking at the lessons from Asia's economic downturn

By Christopher Parkes in Berkeley, California

Infected by the bugs in Asia1.0, the world economic system had suffered a near-crash. The logical thing to do now was to instal Asia2.0, boot up, and move on.

Speaking the techie-talk of the Java culture, Eric Schmidt, chairman of the Novell software group, struck a chord among almost 300 next-generation US executives assembled for a teach-in at the University of California, Berkeley, last Friday.

It was a gratifying moment for Laura Tyson, dean of the Haas business school and former chief economic adviser to President *Bill Clinton, who organised* the revivalist event, suspending classes for an afternoon *devoted to the global* financial crisis.

"All our students will go to companies which will all at some time be affected in some way by similar unpredicted and unpredictable events," she said.

"Internationalising the curriculum is a big issue for business schools. All are trying to do it and none are doing it as well as they'd like."

The audience sat rapt, wan *shadows of the ravers from* the activist heyday of the University of California's famous hotbed of liberalism.

The outrage and revolt which characterised the teach-ins of the 1960s were absent. Instead there was scepticism and scorn – admittedly evident only among the *mainly middle*-aged crew manning the podium – tempered with faint echoes of the human rights issues which once predominated.

Peter Tarnoff, former US under-secretary for political affairs, plucked at the students' heartstrings in emotive tones reminiscent of teach-ins past. The suffering had been enormous. More *than 50m Asians had fallen* below the poverty line in the last 15 months. In September *alone, 250,000 Thai students* had been unable to go to school because their parents needed *them to work,* said Mr Tarnoff.

But as for Asia2.0, the software was nowhere near ready. While there was consensus on economic reform, there was none on the need for political change exposed by events since the summer of 1997.

They had revealed dire misconceptions in the industrialised world about "Asian sensibilities", he said.

The west believed wrongly that *as long as their eco*nomic situation was satisfactory, Asian people were not concerned about their political plight.

"I am concerned that there can't be economic reform in a *political vacuum,*" said Mr Tarnoff.

But the techies were to dominate the debate. "*Hey,* this is Berkeley, man," said one student. "We're going to The Valley, not Washington."

Mr Schmidt, former chief technical officer at Sun Microsystems, was just back from Asia with observations more in tune with the preoccupations of the audience.

Struck by the "foolishness" of the western banks which inflated the bubble, he queried the common wisdom that Asia will be on the *up again before 2000.* Anyone asked to name a number between one and 10 would always *pick* seven, he said, and no-one knew why. "Everyone says the Asian recovery will come in 12 to 18 months for the same reason," he said.

His observations of the recovery process had left him equally mystified. Could it be Japan believed depression was the necessary precursor of redemption?

Regis McKenna, doyen of Silicon Valley consultants, also found Asian systems still resisting change.

On the one hand this resistance would allow the US to extend its technological lead over the rest of the world. On the other, it would lead to increased trade conflicts as *Asia* reacted, he said.

Unaware of President Bill Clinton's warning on Friday of a *protectionist* backlash if Japan did not "play fair" in international trade, he said Asian companies saw *salva*tion in US and Europe markets.

They were looking to the US for ways to innovate their way out of difficulties and to the west in general for safer, less volatile markets than their own.

Mr McKenna, claiming experience of six recessions and downturns since 1963, said almost every occurrence had been accompanied by predictions of Silicon Valley's imminent failure.

"In my experience, the only people who have done a good job of prediction are *science fiction* writers: they use their imagination."

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INTERNATIONAL

MILLENNIUM BOMB COMPUTER FAILURES COULD CAUSE FAR-REACHING PROBLEMS FOR US COMPANIES

Leading groups list Year 2000 risks

By Richard Waters in New York

The Year 2000 computer problem could cause far-reaching problems for US companies, from shutting down oil wells to forcing microprocessor plants to close, according to disclosures made in recent days.

The warnings, contained in reports filed with the Securities and Exchange Commission, amount to the most detailed picture yet of the possible extent of the so-called Y2K problem, or millennium bomb, whereby computers risk failing at the end of next year. Concerned that US companies were not telling their shareholders enough about the risks, and what they were doing to put things right, the SEC recently leant on companies to disclose far more in their regular quarterly filings.

Chevron, the oil company, said that any problems it faced "will most likely be localised". However, it added that it could not tell whether it would suffer "significant business interruptions", including the shutdown of all its oil and gas production.

Intel, the chip maker, said it could not "identify or avoid all the possible scenarios" of things going wrong. It added that the failure of an electricity grid in the US or abroad could force its plants to close, or shut down airports and other transport facilities it relied on.

Most companies said they expected to fix their own computer systems before the end of next year. Many added, though, that they could not tell whether their most important suppliers would be ready, and some expressed worries about utilities and other providers of essential infrastructure.

Motorola, which makes mobile telephones and computer chips, said it was "particularly concerned about energy and transportation suppliers. Many of those suppliers are unwilling to provide assurances that they will be Year 2000-ready".

General Motors added that it would face "significant impediments" if electric and water utilities, government agencies, financial institutions and other "providers of general infrastructure" were not ready in time.

Efforts to assess whether suppliers and utilities will be ready have had only patchy success, some companies report.

DuPont, for instance, said that only 30 per cent of its key suppliers responded to a survey it sent out. Of these, two out of five had "a high risk" of not meeting the deadline.

Ed Yardeni, of Deutsche Bank Securities in New York, said most companies had spent less than half what they expected to spend to put their houses in order, a sign that many were falling behind.

Many have increased their estimates of the cost of fixing the problems. GM, for instance, put its total cost at \$560m, higher than the \$360m-\$500m range it predicated earlier this year.

House leaders resolute over impeachment

By Richard Wolffe in Washington

The new leadership of the US House of Representatives yesterday appeared determined to push ahead with a vote on whether to impeach President Bill Clinton, in spite of signs of weakening support among Republican congressmen.

Bob Livingston, the newly elected House speaker – the most powerful post in Congress – said the House would be failing in its duty if it stopped short of voting on impeachment charges.

Mr Livingston also rejected the possibility of the House censuring Mr Clinton, dismissing a public reprimand as "plea bargaining" which could only take place in the Senate.

On NBC television, Mr Livingston said: "I think for us to shy away from our responsibility and try to avoid it would just be incredibly wrong. Every member owes it to his constituents and the nation to search in his soul as to whether he could support either sustaining articles of impeachment or not, voting against it."

His commitment to completing the process came after Kenneth Starr, the independent counsel investigating the president, mounted before the House judiciary committee last week a vigorous defence of his evidence.

Republicans on the committee, who gave Mr Starr a standing ovation after he completed his testimony, appear determined to vote to continue with the impeachment process.

However, some Republican congressmen, such as New York's Peter King, are predicting a rebellion of 20 members in the full House, which would wipe out the Republican majority and end the process.

The judiciary committee will interview two new witnesses in closed session today and tomorrow, extending their inquiries beyond the scope of the Starr report. Daniel Gecker and Nathan Landow will answer questions about Kathleen Willey, a former White House worker who claims to have been molested by Mr Clinton. Mr Gecker is attorney to Mrs Willey, while Mr Landow is her friend.

Meanwhile, the White House this week faces the prospect of a new independent counsel investigating allegations that it violated campaign finance laws in its fundraising for the 1996 presidential election.

Janet Reno, attorney-general, is expected to announce tomorrow whether she will seek the appointment of a new prosecutor to probe Al Gore, vice-president. Within two weeks she must decide whether to probe similar allegations against Mr Clinton and Harold Ickes, deputy White House chief of staff.

Israel to press for \$1.25bn extra funding

By Avi Machlis in Jerusalem

Yaakov Neeman, Israel's finance minister, arrived in Washington yesterday to press the US for a one-off \$1.25bn funding package to implement peace accords.

The US promised extra funding to both Israel and the Palestinians during negotiations on the Wye Plantation deal, signed last month. Under the accord, Israel agreed to hand over 13 per cent of the occupied West Bank to Palestinians in exchange for increased security co-operation.

An Israeli official said Israel wanted the money for "security needs" created by the troop redeployment which began last week. For example, Israel plans to spend at least Shk500m (\$119m) to pave bypass roads for Jewish settlements in the West Bank, which will become virtual enclaves after the troop withdrawal.

However, US policy is to refrain from funding Israeli activities in the West Bank, and many bypass roads will be built on land to be expropriated from Palestinians. US officials would not say how they might surmount this obstacle, or how much Washington planned to grant Israel.

Any new funding requires approval of the congressional appropriations committee, and Israel lost its most powerful ally in Congress when Newt Gingrich stepped down as House Speaker earlier this month.

Bob Livingston, his successor, has been a critic of Israel as head of the House appropriations committee, especially the \$1.2bn in civilian aid the US dispenses annually to the Jewish state.

But one US official said the administration did not expect Congress to be an obstacle: "If the Wye agreement is going well, [the package] will enjoy reasonable support from both sides of the aisle."

Israel, the biggest recipient of US foreign aid, also receives \$1.8bn in annual military aid from the US, and has recently moved gradually to reduce the \$3bn total by \$600m over 10 years.

Palestinians expect a financial boost when a donors' conference convenes in Washington at the end of this month. The Palestinian Authority receives \$75m a year from the US, and officials hope this will rise to as much as \$80m.

Meanwhile, several Palestinian prisoners in Israeli jails yesterday launched a hunger strike after Israel freed 250 Palestinians at the weekend. Palestinian officials were angered after discovering that 150 of the released men were criminals and not political detainees, as expected.

More than 2,400 Palestinians remain in Israeli jails.

UN inspectors play for high stakes in Iraq paper chase

Roula Khalaf on the friction created by Unscom calls for access to documents

Richard Butler, the chief United Nations arms inspector, wasted no time in testing Iraq's commitment to comply with weapons inspections. Even before dispatching a team to try to enter sensitive sites, he sent two letters last week to Tariq Aziz, the deputy prime minister, requesting a sheaf of documents that he had been denied previously.

Access to documents is only one of many issues Unscom, the United Nations commission charged with finding and destroying Iraq's weapons of mass destruction, will test in the country over the coming weeks. But it has always been a source of friction between the two sides.

Documents are a key tool in Unscom's efforts, as they can reveal how much of any chemical or biological agent Iraq produced, or provide proof of Iraqi claims that it has destroyed weapons components.

Because Unscom is suspicious of Iraqi declarations about weapons production, it has persistently hunted for these records. The problem with documents, however, is that Baghdad has long maintained that some have been destroyed while others are linked to national security issues and therefore are not Unscom's business.

Iraq also maintains the commission is often "splitting hairs" and requiring documents for issues that have already been fully answered. Baghdad adds that Unscom is under the mistaken impression that every decision taken in Iraq was the result of a written order.

The Iraqi reply to Mr Butler, sent on Friday by Riad al-Qaysi, deputy foreign minister, was made public yesterday by the Iraqi News Agency. Mr al-Qaysi said the Unscom chief had made a general request for access to defence and other ministerial archives, a move which appeared to be a provocation as inspectors had, on several occasions, searched defence and other security-related buildings.

Of the 12 specific requests for documents Mr Butler is reported to have made, he has been told that Baghdad is in a position to provide only two.

The first is a much-publicised document inspectors glanced at in July during a search of the Iraqi air force, but were not allowed to keep. It lists munitions used in the 1980-1988 Iran-Iraq war and is deemed important by Unscom as it might tell inspectors whether Iraq inflated the amount of [illegible]nance that could be [illegible] with chemical or biological agents, while keeping the remainder.

Iraq said it would consider disclosing the relevant parts of the document to Unscom, but only in the presence of Prakash Shah, special envoy to Baghdad of Kofi Annan, UN secretary-general.

The second set of documents Mr al-Qaysi said Iraq would give Unscom are records from a brigade which is believed to be related to the equipping of a missile unit. The Iraqi official pointed out in his letter that Unscom had never previously made such a request.

However, Mr al-Qaysi said Baghdad had no additional documents to provide on the production of VX nerve gas, which Iraq says was unsuccessful, and that two diaries requested by Mr Butler – one of a brigadier who dealt with missile production, and the other of an engineer involved in the production of missile engines – had been destroyed.

He also said Iraq could not hand over a report on the investigation of the 1995 defection of Hussein Kamel, the former head of Iraq's military industry corporation who had later returned to Iraq and was killed, as no such investigation had taken place.

Mr Butler repeated a request for documents proving that Iraq had destroyed propellant fuel used for Scud missiles. Unscom says that if Iraq is holding on to the fuel, then it may have more missiles than previously declared. Baghdad maintains that Mr Butler has accounted for almost all the missiles and all the launchers, so should be satisfied with the missiles file.

Perhaps the most sensitive issue raised by Mr Butler involves records which would allow him to verify Iraqi claims that it has ended efforts to conceal information from inspectors.

Iraq admitted in 1995 that it had hidden information and weapons from Unscom but insisted this had now stopped. Mr Butler, who has doubts about Iraq's declaration, wants documents describing the 1991 decision to retain weapons as well as minutes of the meetings of the high-level concealment committee.

Mr al-Qaysi said the decision to hide proscribed material had been communicated orally and that no concealment committee "in the technical sense of the word" had existed.

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SINGLE CURRENCY CHIEFS OF 20 FTSE 100 COMPANIES AMONG 114 SIGNATORIES TO STATEMENT CALLING FOR EARLY BRITISH MEMBERSHIP

Business leaders give big boost to pro-euro lobby

By Kevin Brown,
Industry Editor

The 114 business leaders who signed today's statement in the Financial Times backing early British membership of the European single currency have struck a powerful blow against those who want the UK to keep its distance.

The chairmen or chief executives of the 20 FTSE 100 companies who signed are backed by a wide range of senior figures from medium-sized companies, regional business organisations, the accountancy and consultancy professions, and businesses wholly owned by overseas investors.

Some names are leading proponents of a single currency. Others – such as Martin Sorrell, chief executive of WPP Group, Gerry Robinson, chairman of the Granada Group, John Robb, chairman of British Energy and Sir Patrick Gillam, chairman of Standard Chartered – have been less well known.

The list also includes Sir Dermot de Trafford, a former chairman of the Institute of Directors.

Signatories from medium-sized companies include Sir Michael Bishop, chairman of British Midland, James Dyson, the vacuum cleaner manufacturer, Keith Todd, chief executive of ICL, Sir Denys Henderson, chairman of Rank, Graham Hall, chief executive of Yorkshire Electricity, and Sir Ross Buckland, chief executive of Unigate.

Those who run companies owned by major inward investors include Lord Haskins, chairman of Northern Foods, Peter Blackburn, chairman of Nestlé UK, Ian Gibson of Nissan, David Jordan, chairman of Phillips Electronics UK, Walter Hasselkus, chairman of Rover, and Nick Reilly, chairman of Vauxhall.

The European Movement says that the signatories signed in their personal capacities. But the range and quality of the business leaders who support the statement will have a big impact. The 29 names in FTSE 100 companies head businesses with a combined market capitalisation of £342bn ($574bn), some 29 per cent of the FTSE 100 total market capitalisation.

The heads of 10 UK chambers of commerce with a combined membership of 17,351 have also added their names to the list.

The opponents of Emu are also able to call on substantial support from medium-sized businesses, as their lobby group Business for Sterling demonstrated in a letter to The Times in June. But only two heads of FTSE 100 companies – Sir Stanley Kalms of Dixons Group and Lord Wolfson of Great Universal Stores – were among the signatories.

Emu rivals: (from left) Lord Haskins and Sir Michael Bishop back early entry; Lord Wolfson and Sir Stanley Kalms oppose it

The European Movement statement has no chance of landing a knock-out blow. Its opponents – mainly in the Conservative party and the Business for Sterling pressure group – will never accept that a majority of business opinion favours joining, or that the economic case has been made.

But the statement will strengthen the hand of those in government – led by Gordon Brown, the chancellor of the exchequer, and Peter Mandelson, the trade and industry secretary – who favour early entry. They appeared to be signalling a warming towards the euro in speeches to the Confederation of British Industry – the employers' group – conference earlier this month, and ministers are prepared to admit privately they want business to plan on the basis entry will not be long delayed.

"The signal that has been given is a firm signal, although I do realise that it would be much easier for some businesses if it was absolutely clear," one minister said. "Businessmen do have to persuade boards to invest, and when you have national division in the population at large and in the business community it can be difficult to get the money to promote change."

Ministers think the national changeover plan for possible UK participation in the euro, to be released in January, will send a further signal to business that it should be planning seriously for British entry. "It is an important part of keeping the impetus going. We do realise that part of what we need to do is to send ongoing signals to business," the minister said.

The statement reinforces evidence, including a survey by Mori, the polling group, for the FT that most businessmen favour joining the single currency. A debate at the CBI conference three weeks ago found 90 per cent of delegates thought the UK would join, and a majority wanted early membership.

Keith Todd, ICL chief executive, and one of the brains behind the statement, said: "When people understand the real fundamentals the movement towards the euro will gain pace."

London and Bonn plan EU reform prospectus

By Andrew Parker,
Political Correspondent

The UK and German governments are to draw up a reform "prospectus" that they will invite other centre left governments in the European Union to adopt.

Peter Mandelson, UK trade and industry secretary, and Bodo Hombach, German chancellery minister, agreed yesterday to produce a joint declaration by the end of January.

The Anglo German initiative was agreed last month by Tony Blair, UK prime minister, and Gerhard Schröder, German chancellor, at their first meeting since the SPD's general election victory in Germany.

Mr Mandelson and Mr Hombach, who lead the initiative for the two governments, held their first meeting yesterday.

The joint declaration will focus on Mr Blair's "third way" – Germany's "neue mitte" – in politics. "This is about modernising social democracy for the future in which Schröder and Blair have given such a strong lead," Mr Mandelson said.

"There are now 11 centre left social democratic led governments in Europe. What the UK and German governments are doing is create a third way, neue mitte prospectus that we will then share with the other governments, so that we are able to draw in others in due course to this process of policy development," a UK government member said.

The declaration will focus on "entrepreneurship, innovation and the creation of the knowledge based economy", "modernising the welfare state and public services", and "how Europe should develop, where it needs to integrate or co-operate as appropriate and where decentralisation and subsidiarity should prevail".

EU vote set to end ban on British beef exports

By Michael Smith in Brussels

European Union farm ministers are today expected to vote to lift a world-wide ban imposed on British beef exports more than two years ago in response to the BSE – or "mad cow" disease – crisis. However it will be months before the UK can resume exports.

EU officials believe the European Commission's plan to end the embargo will win strong support in spite of opposition from countries including Germany and possibly France. Italy and Spain opposed lifting the ban earlier this month but are thought to be reconsidering their position.

Britain is likely to be able to win the vote even without their support. Voting rules at today's meeting mean lifting the ban can only be halted if eight of the 15 ministers oppose it. That is thought highly unlikely.

At the vote among member states earlier this month, eight were in favour. Luxembourg and the Netherlands, which abstained then, are thought unlikely to vote against Britain today.

The ban was imposed in March 1996 when UK scientists identified a possible link between BSE and nvCJD, a similarly fatal disease affecting people.

However, British officials believe it could be spring next year before farmers can resume beef exports.

Under the Commission's proposals exports can only begin after the UK has slaughtered several thousand calves born of cattle infected by BSE. The Commission must also approve export facilities. Prior to the ban the UK was exporting nearly £600m ($1bn) of beef a year. The UK will struggle to win back markets because of consumer fears and the high pound.

The Commission's plan would lift export restrictions on deboned beef from cattle aged between six and 30 months, the vast majority of the UK beef herd. The animals would also have to be born after August 1996, the date when a strict ban on feeding cattle with animal remains became effective.

BSE has affected other European countries, but Britain has suffered 175,000 cases, some 99.7 per cent of the EU total.

FINANCIAL SERVICES LAWYER WARNS TREASURY OF BILL'S THREAT TO FAIR TRIALS

Reforms may 'breach human rights'

By David Wighton,
Political Correspondent

The government's moves to overhaul financial services regulation would breach the European Convention on Human Rights, according to a confidential legal opinion received by the Treasury.

Anthony Lester QC, one of Britain's leading experts on the convention, has warned that the draft Financial Services and Markets bill would contravene the right to a fair trial. City of London lawyers believe the government will be forced to rewrite the bill rather than risk having it challenged by the courts.

Any legal doubts would also make the bill vulnerable in the House of Lords, where the government already faces opposition over plans to strip hereditary peers of their voting rights.

The legislation, which provides the legal underpinning for the new Financial Services Authority, is one of the bills in the government's programme for the new session of parliament to be unveiled by the Queen tomorrow.

Tony Blair, the prime minister, decided the government had to press ahead with early introduction of the controversial bill after ministers laid so much stress on the need for tough regulation in tackling the Asian financial crisis.

But the draft bill has come under fierce criticism in the City over the sweeping powers of the FSA and the lack of legal safeguards. For example, the FSA would have the power to impose unlimited "civil fines" for the misuse of privileged information, with a lower burden of evidence and proof than for the criminal offence of insider dealing.

The fines could be imposed on ordinary market users, not just authorised professionals.

The legal opinion from Mr Lester, commissioned by the London Investment Banking Association, concludes that actions taken by the FSA under the prohibition on "market abuse" would be considered criminal not civil proceedings for the purposes of the European Convention. This would require greater safeguards than provided under the bill. In particular, it would ban the use of statements obtained under compulsion.

The opinion was sent to the Treasury last week as part of the consultation process on the draft bill. The Treasury said it was confident the draft bill would not breach the convention. The convention is now incorporated into UK law in line with a commitment in Labour's election manifesto.

City lawyers who have seen the opinion say it makes a very strong case. "For the government to ignore the risk of conflict between two of its flagship pieces of legislation would be bold, to say the least," said one City lawyer.

Vincent Cable, the Liberal Democrats' finance spokesman, will table a parliamentary question tomorrow challenging the chancellor over the potential conflict.

"It would be absurd for the government to pass legislation which falls at the first reference to the courts because it does not understand its own human rights legislation," he said.

WEEK AHEAD

UK COMPANIES

■ TODAY
BOARD MEETINGS:
Finals:
Cambridge Antibody Tech
Chrysalis
Ferraris
Grantchester
Quadramatic
RM
Unidare
Yeoman

Interims:
Allen
Goldshield
Hewetson
Liberfabrica
Maelor
Majestic Wine
Salvesen (Christian)
Siebe
Southnews
South Staffs Water
TBI

■ TOMORROW
COMPANY MEETINGS:
McKechnie, Lincoln Centre, 18, Lincoln's Inn Fields, W.C., 3.00
Smiths Inds, 765, Finchley Road, Childs Hill, N.W., 12.00

BOARD MEETINGS:
Finals:
Airtours
Anglo Irish Bank
Athlone Extrusions
Cosalt
McLeod Russel

Interims:
Anglian Grp
Caffyns
Chloride
EMI
Johnson Matthey
National Grid
Real Time Control
Severn Trent
Sterling Inds
Trifast
Vocalis
VTech
Wynnstay Props

■ WEDNESDAY NOVEMBER 25
COMPANY MEETINGS:
Amstrad, Mary Green Manor Hotel, Brentwood, Essex, 11.00
Intereurope Technology Services, 21-23, East Street, Fareham, Hants, 11.00
Premium Tst, Saltire Court, 20, Castle Terrace, Edinburgh, 12.30

BOARD MEETINGS:
Finals:
Abacus Polar
Advanced Power Components
Granada
Jennings Bros
NHP
Tate & Lyle

Interims:
Baldwins Ind Services
Banner Chems
Bristol Water
IWP Int
National Power
Radstone Technology
Victoria

■ THURSDAY NOVEMBER 26
COMPANY MEETINGS:
Allied London Properties, Four Seasons Hotel, Hamilton Place, W., 12.00
Redrow, St David's Park Hotel, St David's Park, Flintshire, 12.00
St Ives, Lavington Street, S.E., 10.00

BOARD MEETINGS:
Interims:
BPB
Bristol Utd Press
Brockhampton
Caledonia Inv
Comino
CPL Aromas
DBS Mngmnt
London Merchant Secs
Merrydown
Pennon
Ransom (Wm)
Sedgemoor
Shires Inc
Southern Elec
Symonds
Waddington
York Waterworks
Yorkshire Water

■ FRIDAY NOVEMBER 27
COMPANY MEETINGS:
Headway, Old Golf Course Hotel, Huddersfield, 9.30
Manganese Bronze, 1, Love Lane, E.C., 12.00
Tay Homes, Queens Hotel, Leeds, 2.30

BOARD MEETINGS:
Final:
VTR

Interims:
Oriental Restaurant
Stockbourne
Touchstone

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Aquarius 3.4p
BPH Fin 3% Sec Exch Bd 2002 $15.0
Chase Manhattan Snr FRN 2002 $149.81
IAF 4.95p
Kawasaki Steel 7¼% Bd 1999 Y725000.0
Do 7¼% Bd 2000 Y725000.0
Manchester & London Inv Tst 1.5p
Nationwide Bldg Scty 13¼% Sb Nts 2000 £1350.0
Sirdar 3.8p
Sunderland 11¾% Rd 2008 £5.875
Taylor (Charles) 2.04p
Thames Water Utilities Fin 10½% Gtd Bd 2001 £1050.0
Trinidad & Tobago 12¼% Ln 2009 £6.125
WPP 0.84p

■ TOMORROW
Alpha Airports 1.84p
BG 9½% Bd 2017 £4750.0
Brent Int 1.1p
British Aerospace 10¾% Bd 2014 £1075.0
Fleming Smaller Co's Inv Tst 2.6p
Hemingway Properties 0.2p
Redland Fdg 10¾% Gtd Bd 2014 £1075.0
Royal Bank of Canada C$0.46
Ruberoid 1.9p
Sanwa Australia Fin Gtd Fxd/Fltg Rate Nts 2006 $3159.72
Sinclair (Wm) 6.7p
Yorkshire Bldg Scty 11⅜% Sb Bd 2022 £1137.5
Yule Catto 4.4p

■ WEDNESDAY NOVEMBER 25
Albright & Wilson 2.25p
Avis Europe 1.5p
Broken Hill Proprietary A$0.25
Eaton $0.44
European Leisure 3.25p
FP Fin 9⅛% Und Sb Gtd Bd 9.125p
Fleming Natural Res Inv Tst 0.2p
Gartmore Scotland Inv Tst 4.3p
Do Package Units £10.75
Manchester United 1.18p
Merrill Lynch $0.24
M & G High Inc Inv Tst Inc 0.98p
Do Inc & Grwth 0.98p
Do Package Units 0.98p
Mulberry 0.75p
Rutland Tst 0.5p
Servisair 1.75p
Waterman Partnership 2.25p
Western Selection 0.25p

■ THURSDAY NOVEMBER 26
Barclays 9¼% Bd 1999 FFr925.0
Britt Allcroft 1.4p
Cox Insurance 0.9p
First Active FRN 2000 IR£1535.96
Go-Ahead 7p
ICM Computer 1.75p
Inchcape 4.6p
LG Elec 1¼% Cv Bd Nov 2006 $12.50
Sherwood Grp 1.3p
Ted Baker 1.8p

■ FRIDAY NOVEMBER 27
Adwest Automotive 5.5p
Aggreko 1.65p
Andrews Sykes 1.2p
Ashtenne 2.2p
BTR 4p
Bank of Montreal $0.44
Berry Birch & Noble 1p
Bovis Homes 3.33p
British Polythene 7p
CLS 2.4p
Charles Stanley 1.25p
Citadel 1.3p
Community Hospitals 3.6p
DCC IR4.25p
Donatantonio 0.6p
Euro Sales Fin 1p
Gartmore Venture Cap Tst 1.875p
Guinness Flight Venture Cap Tst 1.125p
Haggas (John) 2p
Highlands & Lowlands M$0.06
Ilion 1p
Ivory & Sime ISIS Tst 7.301347p
Johnson Fry 2p
Kerry Grp A IR1.68p
Lilleshall 1.5p
Linx Printing Tech 3.5p
London Fin & Inv 0.5p
Midland Bank Sb FRN 2001 £98.93
M-R 2.7p
Nat West Bank Und Var Rate Nts £214.25
Nihon Doro Kodan 6⅛% Gtd Bd 2006 $687.50
NKK 6.2% Bd 2002 Y620000.0
Old Mutual South Africa Tst 0.55p
Personal Assets Tst 125p
PizzaExpress 3.2p
Premium Tst 2.28p
Redrow 2.7p
Ricardo 4.4p
Rolfe & Nolan 1p
Semple Cochrane 2.67p
Senior Eng 1.77p
Torex 0.6p
Tottenham Hotspur 0.25p
T & S Stores 3.6p
Wainhomes 0.75p
Woolwich Perp Sb Bd £92.50

■ SATURDAY NOVEMBER 28
London & St Lawrence Inv 3.9p
NT & T 9⅜% Nts 1998 $468.75
Scottish Life Fin 9% Und Sb Gtd Bd £9.0

CONFERENCES, VENUES AND COURSES

CONFERENCES

Conferences, Venues & Courses

NOVEMBER 25
Using IT for Business Benefit
A breakfast seminar examining the importance of IT to the financial services industry. The seminar will explore new delivery channels now being used by this rapidly diversifying sector, including internet banking, call centres, home banking and digital TV. Distinguished speakers include Pete Marsden, IT Director, Egg and Prudential Banking, Garry Heath, Director General, IFA Association and Sherry Leigh Coutu, Chairman, *Interactive Investor.*
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DECEMBER 1 & 2
18th FT World Telecommunications
Competition and convergence will be the two main themes of the 1998 FT World Telecoms Conference. Speakers include Sir Iain Vallance, Chairman, BT plc; Mr Bert C Roberts Jnr, Chairman, MCI WorldCom; Mr Gary Forsee, President and CEO, Global One SA, Mr Daniel E Somers, Senior Executive Vice President & Chief Financial Officer, AT&T and Mr Javier Revuelta, Vice-Chairman, Telefonica.
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E-mail: joanna.edwards@ft.com
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DECEMBER 2 - 4
Venture Forum Europe '98
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The 17th FT World Pulp and Paper Conference
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DECEMBER 9
Denton Hall 'Finance Forum' PFI in transport - recent developments and the financier's perspective
First in the series of five, this seminar provides a review of UK transport infrastructure opportunities for the private sector under the Private Finance Initiative and the financier's view of recent developments. We have speakers *from:* Denton Hall, The Royal Bank of Scotland and Imperial College, London.
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Fax: +44 (0) 171 320 6647
email: seminars@dentonhall.com
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January 13 - 14
European Acquisition Finance
This event will focus on the key regions of M&A activity, such as Germany, France and Italy.
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Michael Phillips, APAX Partners,
Thomas Pütter,
Allianz Capital Partners,
Peter A. Weinberg, COO, IBD, Goldman, Sachs & Co
and Michael Day, Group Treasurer, Pearson Plc.
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MARCH 3 & 4 1999
FT New Media Conference
In the aftermath of the launch of digital television in the UK, the Financial Times New Media conference will examine the state of play in the digital market. Issues for debate include: opportunities for new entrants, the impact of competition on the existing networks and the consumer's viewpoint.
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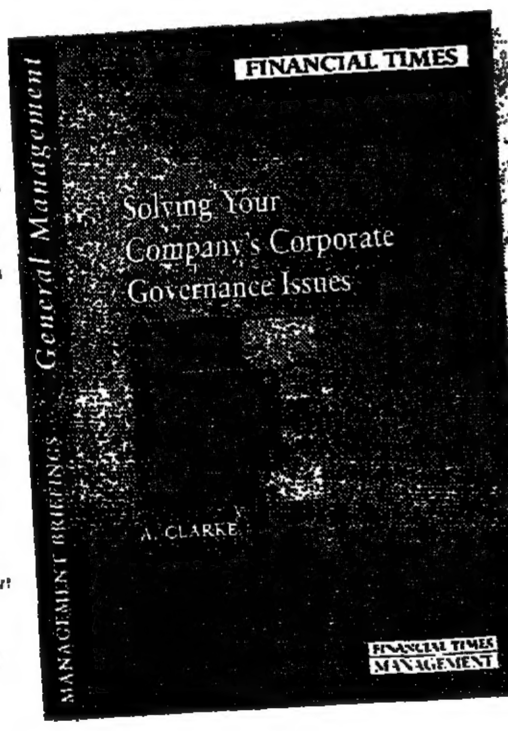

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INSIDE TRACK

PROFILE PIERRE BILGER, ALSTOM

The Euro man with American ambitions

The chairman of the Anglo/French electrical engineering group tells **Peter Marsh** its future lies in the US as well as Europe

A visitor from outer space, anxious to learn about the birth of the euro and associated moves to European economic integration, would almost certainly soon be asking directions to the smart Paris office of Pierre Bilger.

The chairman and chief executive of Alstom, one of the world's biggest electrical equipment suppliers, Mr Bilger embodies many of the pan-European ideals admired by those behind the advent of the single currency in six weeks' time.

The company – formerly a joint venture between GEC of Britain and Alcatel of France – went public in June with listings in Paris, London and New York. Last week it unveiled its maiden financial results since the flotation, in which it maintained a medium-term target of a 6 per cent operating margin, compared with a margin of 4.6 per cent achieved in the latest six months.

Although the maiden results disappointed some investors, Mr Bilger announced an ambitious plan to double its annual revenues in the US, currently Ecu980m (£690m), within five years, mainly through acquisitions.

Alstom, with sales of Ecu14bn a year and best known for its Eurostar high-speed trains, is probably better prepared for the euro than most companies.

Of its top 300 managers, 130 are French, 80 British and 40 German. It is one of the few companies to base its accounts on Ecus – into which euros will be converted on a 1:1 basis – and has had this policy since it started in 1989.

Mr Bilger, who became chairman of the group three years ago, after being chief executive since 1991, is credited with successfully managing the difficult job of stitching together two companies that saw themselves as "national champions" in their respective countries, and which were bitter rivals.

"He is an inspiring leader – tough but fair," says one colleague.

Alstom's electrical engineering activities were previously run separately by GEC and Alcatel. An essential part of Mr Bilger's job, therefore, has been the creation of an international company culture. He says this has required, among other things, the "rooting out" of French or British centres of power within Alstom, and to "prevent them from re-forming".

In this job, Mr Bilger has the useful qualification of coming from Alsace in eastern France, a region which has changed hands with Germany many times over the centuries, and which is now one of the more internationally oriented parts of the country.

He speaks German as well as English (which Alstom adopted back in 1989 as its official working language).

Over lunch at his office near the Arc de Triomphe, Mr Bilger says he is confident Alstom will avoid the pitfalls that have dogged previous Anglo-French alliances.

He guffaws when references are made to the most recent, spectacular failure at cross-channel co-management: a revolutionary partnership between a Frenchman and an Englishman who tried (unsuccessfully) to run Liverpool football club, one of Europe's leading soccer teams. It ended with the departure of Roy Evans, the British partner, leaving Gerard Houllier in charge.

Mr Bilger says such traumas will not happen at Alstom, partly because of initiatives by the company's executive board (of which seven are French and four British) to set up a number of "horizontal" channels for people in different parts of the company to talk to each other.

Executives in the part of Alstom making industrial drives, for instance, can exchange ideas about purchasing or financial management with their counterparts in electricity distribution. "This system helps to mobilise management and concentrate minds on the need to grow profits," he says.

Another of Mr Bilger's challenges has involved coping with Alstom's transformation into a publicly-quoted company.

An essential part of Mr Bilger's job has been the creation of an international company culture

Alstom's share price has fallen 40 per cent since the June flotation because of investor uncertainty over a weakening global economy.

Alstom may face a few tough years as a result of the crisis in Asia which, until recently, was considered a huge potential market.

Mr Bilger says he is not too worried by the slowdown in Asia on the grounds that other parts of the world may make up some of the shortfall in demand. Even so, Asia last year accounted for 19 per cent of Alstom's sales, a proportion which is likely to drop sharply in the next two years.

An important part of Mr Bilger's strategy, therefore, is the effort to expand in the US, where the company employs only 3,000 people, compared with 40,000 in France and 22,000 in Britain and 110,000 worldwide.

Alstom's strongest card in the US may be the division that sells trains and other transport-related equipment such as signalling – which has recently won important contracts (in collaboration with Bombardier of Canada) to deliver rolling stock and other systems for railway projects in New York and Chicago.

Mr Bilger believes this part of Alstom, accounting for a fifth of sales, could grow considerably in the US, given that municipal authorities are showing a renewed interest in rail systems. As with other parts of the company, changes in technology are having a big impact on the business, he enthuses.

For instance, Alstom has developed a propulsion system for electric trains that uses new, high-power semiconductor chips to control motors. The new technology has greatly increased the motors' efficiency, as well as saving on energy and running costs.

Though not an engineer himself (he studied politics and economics) Mr Bilger is enthusiastic about the contribution of Alstom's 10,000 or so engineers – of whom 3,000 are software experts. "A decade ago, it was possible to talk about [the electrical engineering business] as being mature. That is not the case any more," he says.

One big strategic question for Mr Bilger – and for his partners at GEC and Alcatel, each of which continue to hold equal stakes of 24 per cent in the company – will be the future of the power generation division that accounts for a quarter of the company's revenues.

There has been speculation that Alstom may be tempted to sell this to one of the other big players in the industry – General Electric of the US is seen as the most likely buyer – in a move which would slim down the Franco-British company and almost certainly increase its profitability. Mr Bilger does not deny something of the sort may happen.

"We [Alstom's power generation division] are a pivot in the game [of potential consolidation in the industry]. We could be attractive to a lot of people."

However, closer to his heart, at least in the immediate future, will probably be another pan-European business venture in which he takes a close interest. This involves one of Mr Bilger's two sons who is setting up, with a British partner, a new company in information technology.

Essential Guide to Pierre Bilger

Born: May 27 1940, in Colmar, eastern France. Has two brothers, one a university professor and the other a lawyer. Helped out in his early years with his mother's farm-equipment business which supplied tractors and similar machines to farmers in the Alsace region.

Education: Went to Institut d'Etudes Politiques and Ecole Nationale d'Administration, traditionally academies attended by the high-flyers of the French business and government worlds. Studied economics, finance and politics.

Government and business career: Joined French ministry of economy and finance in 1967, occupied several senior posts including that of budget director – the top civil service post in the public spending directorate.

Left in 1982 to join Compagnie Générale d'Electricité, the then state-owned French electrical engineering group which was privatised in the 1980s and rechristened Alcatel Alsthom (later shortened to Alcatel). Alcatel teamed up with GEC of the UK in 1989, pooling their electrical engineering interests in the joint venture, now called Alstom. Mr Bilger played a crucial role, first as one of the joint venture's managing directors and then, from 1991, as chief executive. In 1995 he took on the additional role of chairman.

Business philosophy: Developed a good working relationship with Lord Weinstock, the former managing director of GEC, from whom Mr Bilger reckons he learned a lot about financial controls.

Has tried to get the best out of his French and UK managers in Alstom by holding lots of joint meetings (in which English is the chosen language, even though French people outnumber UK staff in the company by 2:1). Also says German managers can add useful cultural characteristics because of Germany's post-war business tradition of "managing by consensus" with lots of dialogue with the workforce.

Stopped short of marching his managers into the desert for bonding sessions – the route said to have been taken by Jean-Marie Descarpentries, chairman of Carnaud-Metal Box, another big Franco-British business venture.

Has instead adopted a lower key approach, organising seminars – which he believes work very effectively – "deep in the countryside" of the respective countries. He has strong ties with the UK; his daughter married an Englishman and lives in Bath.

LUCY KELLAWAY

Making a meal of family life

It has been suggested that we should treat home just like the office – turn breakfast into a scheduled meeting and, hey presto, the house is a happier place

Work, most managers would agree, is one long meeting. You can try to keep meetings short and sweet. You can try to stop them swamping your day. But in the end there is only one sure way of avoiding them. And that is by going home.

However, this exit route is now in danger. I have just been sent proof copies of a book which argues that the best approach to family life is to treat it as a meeting.

Once you see breakfast as a structured meeting, the author argues, it will be goodbye to those bad-tempered mornings and hello to a happier, more meaningful home life.

So last week I tried it. I was in the chair, metaphorically speaking. In actual fact I was charging about the room trying to get the four subordinates present to sit down in their chairs. One of them had to be strapped physically into his seat to keep him in place. Others had to be told more than once that the meeting was about to commence. The non-executive director, who was supposed to be present, was actually in bed upstairs. So far, so bad.

I had considered beginning the meeting with the minutes of the previous day's breakfast session but, remembering how chaotic that had been, decided against it. Instead, I ploughed straight ahead with the agenda for the day before us.

The main item was a plea for information on who was doing what, so that special equipment – recorders, swimming suits, etc – could be provided in plenty of time. While I spoke, the rest of the team made no pretence of listening, so intent were they on their own, conflicting agendas. One was blowing into a small plastic whistle, one was throwing toast on to the floor, another was side-tracking the discussion with requests for toys, treats, outings.

A message came down from the non-exec upstairs that he would like to have his cup of tea brought up. More toast was thrown on the floor. Voices were raised. A motion put forward for chocolate spread was overruled by the chair.

Later, the non-executive appeared and hijacked the discussion with a demand for an immediate search for a carrier bag to put his papers in. The meeting was hastily adjourned and the members dispersed for a day of further off-site meetings elsewhere.

Nothing had been decided. Many words had been spoken, few of them made much sense. Another meeting was scheduled for the same time the following day.

And so I came to see that there is nothing forced about looking on a family breakfast as a meeting. All the parallels are there, the only difference is that you have to make the tea and coffee yourself.

Seeing breakfast as a meeting does little for family harmony, but it does have one advantage. If this is what meetings are like at home, then the ones that we grumble about in the office start to seem admirably orderly and decisive after all.

* * *

Do managers have to be assholes? Do they have to be tough, ruthless bastards who drive through change at any cost? According to management thinker Sumantra Ghoshal, the answer is an emphatic 'No'.

In the *FT* last week he argued that there is nothing inevitable about the asshole school of management. Top managers could equally well be nice human beings were it not for the pressures of investors, of journalists, of academics who cheer on, applaud and reward the tough guy.

He concluded that it was the duty of "reasonable" people everywhere to preach the alternatives and make it clear that it need not be like this.

In that case, I stake out my territory in the unreasonable camp. Prof Ghoshal may be right that the particular pressures of the City and the huge pay packets of chief executives encourage some top men to be more ruthless than is strictly necessary.

But it is all a matter of degree. Some toughness seems to me to be a requirement for any job in management. That does not mean that everyone need be a mini Al Dunlap, but that they will never get anywhere if they are Pollyanna either.

Management surely is about taking difficult decisions in the interests either of shareholders or (if one prefers) in the interests of the company more broadly. That means often having to pass over, demote or fire perfectly decent human beings, some of whom you may quite like. It means having to grow a thick skin and care little whether other people like you. Nice people mind if they hurt other people's feelings. They are self-effacing, generous, patient and sometimes have bouts of self-doubt. You would willingly offer them a seat at your breakfast table – but we unreasonable people should continue to insist that they never get anywhere near a seat on the board.

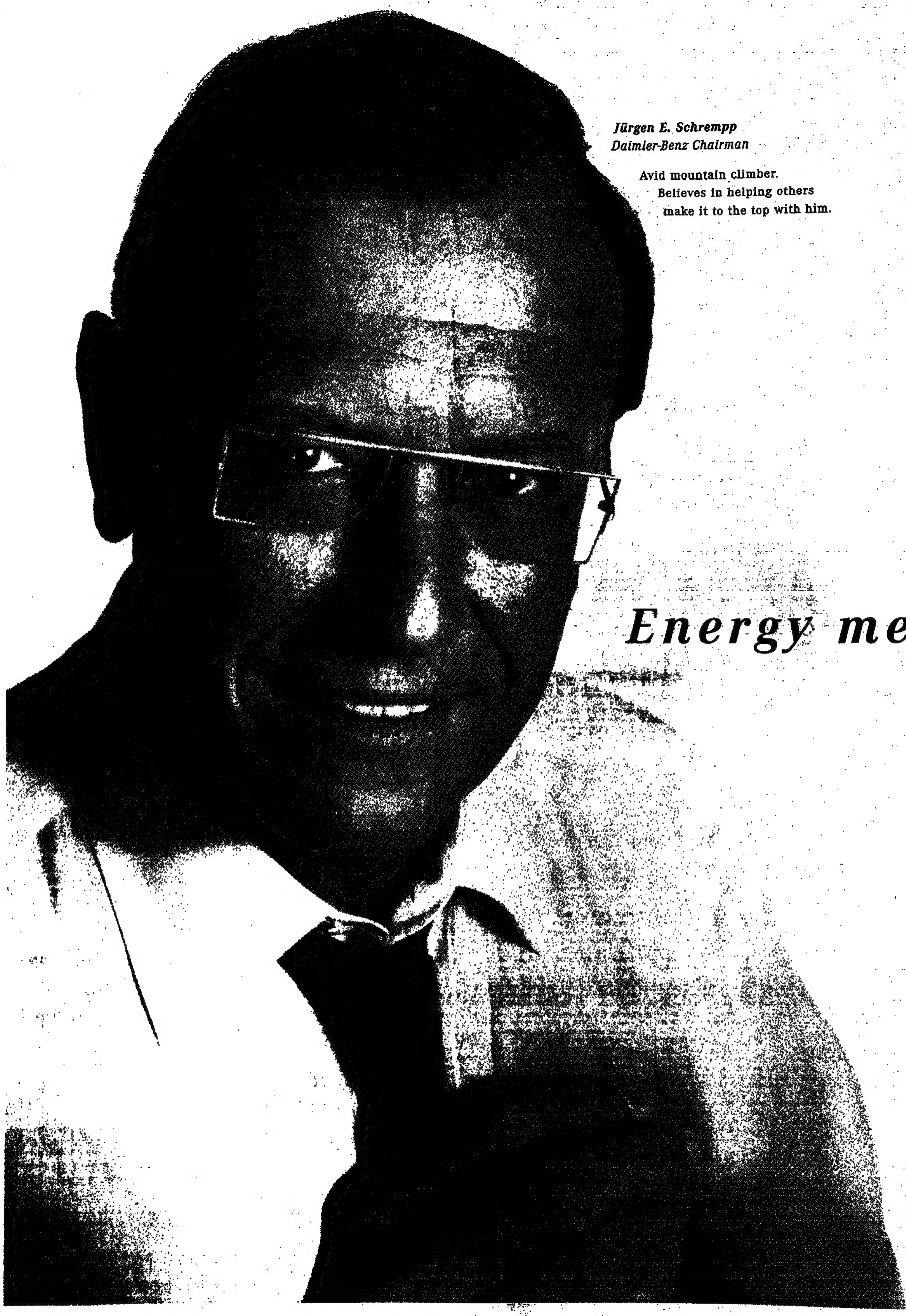
* * *

Here's a lovely little thought for Thanksgiving that comes from Saxton Bampfylde Hever, the London-based headhunters. They have seized on this special day to send out to every head they have ever hunted a cute little brochure called *Thank You, America*…

"Belatedly, this Thanksgiving, we'd like to say thanks for a few of our favo(u)rite [sic] American things," it says on page one. There follows a sugary list of the things for which the headhunter would like to thank America: For Hollywood. For Wall Street. For Women. After each item a link is made to a purported virtue of their firm. "Oh, and for Headhunting," the list finishes. "So thank you, America, for the most challenging and stimulating job in the world." it says.

Why does this make one's flesh creep so? Surely we are immune to marketing gimmicks by now? Could it be that there is only one thing for which Saxton Bampfylde Hever genuinely wants to thank the US, and strangely it appears nowhere on the list. Thank you, America, for paying us so many of your very lovely dollars over the years, the brochure should say. And please, please continue to do so in future.

lucy.kellaway@FT.com



Jürgen E. Schrempp
Daimler-Benz Chairman

Avid mountain climber.
Believes in helping others
make it to the top with him.

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Can you imagine 428,000 highly motivated people all working at the peak of their potential? We can. Because now the organization that founded its own university in order to help its employees succeed has united with the company that became the first in the automotive industry to receive a coveted U.S. government EVE Award for promoting equal opportunity in the workplace. DaimlerChrysler.

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GILLIAN TETT
FILE FROM TOKYO

A minefield of respectful words

Is the Japanese language simply too polite to allow initiative, equal opportunities and market forces to flourish?

Not many nations respect their toilets. In Japan, though, half the population does. Or so I was told when I started grappling with the Japanese language two years ago.

For no sooner had I launched into my first wobbly "conversation", than a bombshell dropped: in Japan, my teacher announced, women are expected to say "honourable" toilet, by adding an "o" (*o-tearai*). But men are allowed to ignore the "o". But wasn't this unfair? I asked, indignantly. After all, I had spent years trying to be treated equally with men at work. Why couldn't I speak like a man in Japan? My teacher winced. Leaving out the "o" would be simply *wrong*, she insisted. After all, feminism aside, I was learning Japanese. So wasn't it important to be polite?

It is a question that still haunts me after 18 months of working in Tokyo. More strikingly, it is also starting to worry the Japanese government, as the country's economic pressures mount.

For with the traditional models of Japanese society coming under strain, some academics and officials are now asking whether Japan's language is really able to promote future social and economic change. Can Japanese encourage concepts such as democracy, initiative, competition, equal opportunity and market forces. Or is it simply too polite?

The debate has already spawned a government committee. From next month, the Ministry of Culture will ask a panel of experts to decide whether it is time for the government to tell citizens to tone down their etiquette. "We need to consider how to use our language of respect in the modern world," explains Ayako Asamatsu, a ministry bureaucrat. "It may not be easy to agree."

That seems a – polite – understatement. For the toilet-respect is merely the tip of a linguistic iceberg that looks ill-suited to egalitarian concepts. Women, for example, are expected to "respect" items such as sushi, water, fish, and sake. They often talk in high-pitched "baby" voices to be "polite". They also use different vocabulary from men (women say *watashi* for "me" – but men say *boku*). And Japanese has multiple grammatical structures to show whether a speaker is considered above, below or equal to the listener in status. Unsurprisingly, women usually show greater "respect". But this distinction also underscores office hierarchies and social life whenever a sentence is uttered.

This creates a minefield for foreigners. I have discovered, for example, that I cannot learn Japanese by mimicking people around me, since I sound like a cross between an excessively humble receptionist and a male banker. Indeed, many foreign women find it hard to stop their voices wobbling between wildly different pitches. Alex, an FT female colleague, for example, keeps changing her answering machine message, because she "squeaks" in Japanese and "growls" in English.

But it also creates hazards for Japanese who flout the traditional hierarchy. It is difficult for a rapidly rising junior to express an independent – or dissenting – view to a senior politely. It is doubly difficult for the few women in senior positions to express imperatives. Meanwhile, Michiyo, a Japanese FT colleague, finds the status issue so excruciating that she sometimes interviews male bureaucrats in English, to avoid excessive "respect."

The linguistic politeness goes hand-in-hand with considerable ambiguity that leaves it difficult to express, for example, the legal concepts required for Big Bang deregulation. It also often makes it difficult for Japan's government to talk in terms that Anglo-Saxon investors understand. This week, for example, Taichi Sakaiya, head of the Economic Planning Agency, cheerfully admitted that his promise to "double the country's living space" was not meant to be believed. "Japanese has lots of slogans, but they don't mean what they seem," he explained to startled foreign journalists.

The language is even dividing Japanese society. A few teenage female rebels have deliberately started to use male words to shock. But in the business world linguistic inflation has started: companies are now training female staff to be increasingly "polite" and "feminine" to win customers. Meanwhile, children are increasingly unable to use the language their parents and grandparents expect. "Young people just don't practise using polite speech any more at home," explains Shinji Shinoda, headmaster of a Tokyo secondary school. "It makes it hard for them later on."

Is there a solution? Traditionalists want the schools to enforce "polite" speech to harmonise society. But Mr Shinoda suspects that a more streamlined language might be more in tune with democracy. Meanwhile, the ministry is still struggling to find a Japanese-style consensus. After a year of debate, its preliminary report makes the uncontroversial observation that politeness is still needed in Japan – but "people should use their own judgment" in deciding how polite to be.

More practical government recommendations will not emerge for another year. But, in the meantime, there is a solution to the toilet issue, at least. For aside from the Japanese *o-tearai*, young Japanese are increasingly using the Anglicized word, *toire*. And foreign words do not need an "o", from men or women. Perhaps western toilets are considered too lowly. I would prefer to think, though, that they are too egalitarian.

Respect in store: shop assistants greet customers AP

BUSINESS EDUCATION GMAT SCORES

MBA high flyers who start from the top

George Bickerstaffe talks to students who scored full marks in the MBA entry test

MBA folklore has it that no one gets maximum points in the GMAT, the test required for entry to all the best business schools. Not true.

Every year a tiny handful of the 230,000 would-be MBA students who take the test score the maximum 800 points.

The Graduate Management Admissions Test is required by nearly 900 business schools around the world as a prerequisite for admission to an MBA programme. Though the test contains some essay questions, the GMAT is essentially a multiple-choice test that covers mathematical and verbal reasoning and analysis.

According to the Educational Testing Service in the US, which designs the GMAT, in any given year up to 50 test takers will score maximum points. So what lies behind the achievement of these exceptional students?

Soren Hein, a GMAT top gun who graduated from Insead this summer and now works as a senior marketing manager for Siemens in Germany, says that he just bought a book of test exams on a business trip to the US and worked through them. "Getting 800 was pleasant but I was just out to get a reasonable score," he says.

Paul Armstrong, a first-year MBA student at London Business School, says he was nervous about taking the GMAT even though he scored 800. "For example, I hadn't done any English grammar for a long time. That was one of the hardest parts and for me required the most preparation."

One first-year student at the Darden School at the University of Virginia (a surprising number of top-score students are shy of their success and want to remain anonymous) says he, too, was surprised to get 800. "I think it was just a good day," he says. "Before the test I had done some study with a practice book, mainly trying to get my times down."

One recent graduate from the University of Chicago now works as a management consultant in New York. He also scored 800 but prefers to keep his identity secret. "I thought the maths was easy enough, though I did some brushing up on things like geometry, and the English was pretty straightforward. But I didn't think it was easy," he says. "I thought I had done well but I didn't come out saying 'I've destroyed the GMAT'."

Perhaps surprisingly, getting a maximum score does not appear to guarantee automatic acceptance by the school of your choice.

"I applied to four and two turned me down so maybe the GMAT has more value at some than at others – perhaps schools with a high emphasis on numbers and maths," says the Chicago graduate.

However, Mr Armstrong at LBS, who only applied to one school, says: "Getting 800 did make me more confident about applying because I had taken a year and a half out for a world tour and I thought that might count against me. In fact I now realise it was probably seen as a plus." The GMAT is frequently criticised for an alleged cultural bias towards English-speaking North Americans. But while most top-score students go along with that to some extent, few can think of an alternative.

A maximum score does not appear to guarantee automatic acceptance by the school of your choice

"I think it may be a bit culturally biased towards native English speakers," says Mr Armstrong, an Australian. "But if you can't do the GMAT in English then you won't be able to cope with an English-language MBA."

Siemens manager and Insead graduate Mr Hein is Danish but says that only created a few problems for him in the test. "I did my PhD at Berkeley in the US and my wife is French and we tend to speak English together. But yes, I had more slack in the mathematics than in the comprehension."

All of the top scorers interviewed took the GMAT in its old "paper and pencil" format. It is now taken via computer with only one question on screen at a time and no chance to go back to questions or change answers. Some of the top scorers think this could well reduce the chances of maximum points. Certainly ETS is not anticipating any significant increase in maximum scores following the change.

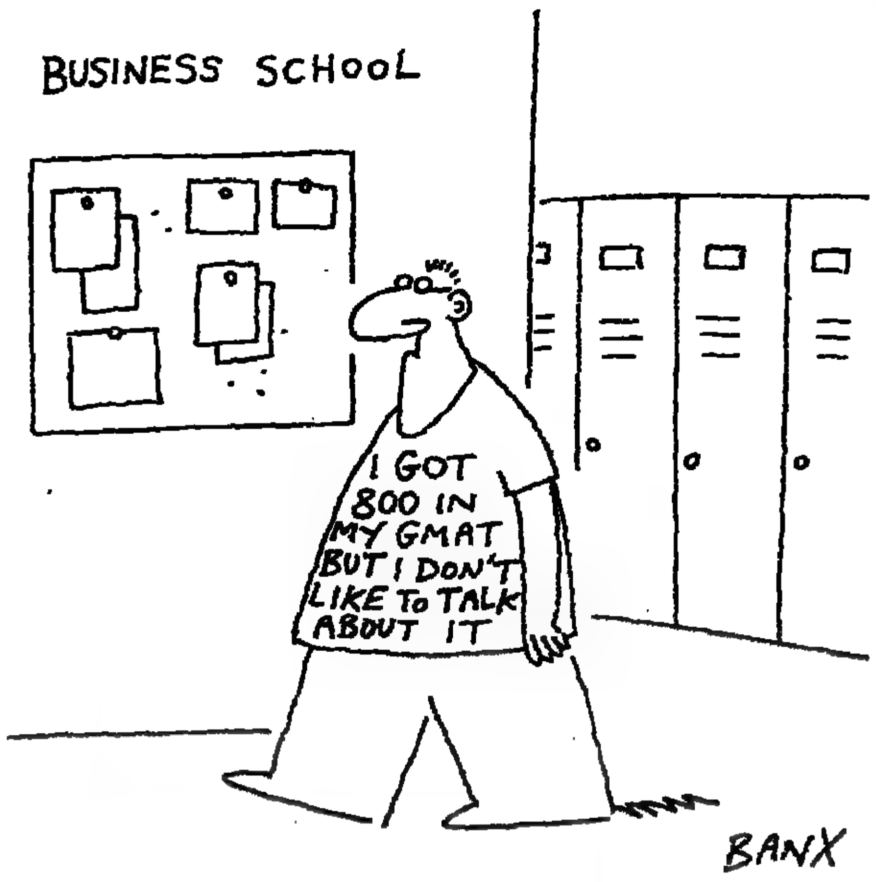
So how do you get the top score? The answer it seems is just to practise.

Mr Armstrong, for example, spent around 15 hours over a fairly long period doing the tests and then undertook a solid three days of practice just before taking the GMAT.

Chicago graduate Mr Jones says his advice would be to practise and be familiar with the test. "Be comfortable when you walk in that you are not going to be surprised. I am also not keen on strategies, in which effectively you try to trick the test. I think you can spend too much time on that and not pay attention to the questions."

Insead graduate Mr Hein says: "I don't think a high score should be a goal. That's not going to help you in life. But if you think you might be borderline, then perhaps you should take a course or something like that."

But in any case, all of the top-scorers are commendably relaxed about their achievement and most share the view of Mr Armstrong at LBS. "I don't see getting 800 as a huge deal," he says. "I'm more impressed with other things I've done."



BUSINESS EDUCATION INSEAD

Seat of learning gets itchy feet

Della Bradshaw *on the need to expand that is driving an ambitious French-based institution to look abroad*

Antonio Borges, dean of Insead, widely regarded as Europe's leading business school, is threatening to uproot the school and move it to Germany or Switzerland if he is not allowed to expand on the existing site at Fontainebleau, just outside Paris.

Prof Borges, who is Portuguese, has been in conflict for some time with the authorities in Fontainebleau about plans to expand the school, which is situated in the beautiful forest of Fontainebleau. The local authorities appear adamantly opposed to any further expansion of the school at the expense of the forest.

Most recently the school bought a building close to its existing site but has been unable to get planning permission to convert it for use as part of the school.

With plans well advanced for Insead to open a duplicate site in Singapore, Prof Borges is unwilling to split the existing European site, insisting that operations should be in one place.

In an extraordinary piece of brinkmanship, Prof Borges is threatening to move the school in its entirety to another European location. Possible new venues would include several sites in Germany, or Geneva in Switzerland. This would put Insead in direct competition – at a local as well as an international level – with one of its biggest European rivels, IMD in Lausanne.

Insead was set up in a monastery in Fontainebleau in the early 1960s as a business school for Europe. In 1967 it moved into the first of the purpose-built buildings on the site today. The move out of the monastery meant that Insead was able, for the first time, to allow women on its MBA programme. The first two women graduated in 1968.

The original aim for this new European business school was for it to have an intake of largely French, German and UK students. However, today Insead has one of the few truly international student bodies with course participants from almost every country in the world.

Since the 1960s the school has grown extensively. Today it has two intakes a year on its one-year MBA programme with nearly 500 students a year participating in the two courses. It also has an extensive portfolio of executive programmes – they account for about half the school's revenues.

Insead plans to launch its first MBA programme in Singapore in January 2000. When the second site in Singapore is open there will be high-technology links between the sites in Europe and Asia which could be used to deliver programmes internationally or to enable faculty to hold meetings as if they were on a single site.

Initially the Singapore site will be just half the size of its European model, but within 30 years it, too, should have doubled in size.

With the effective use of technology such a central plank to the successful operations of the two sites, time is running out for Prof Borges if he plans to carry out his threats to resite one of Europe's largest business schools.

NEWS FROM CAMPUS

Henley answer to question of degrees

Henley Management College in the UK has set up two separate divisions to deal with its degree and non-degree programmes.

Henley Graduate Business Studies will handle the college's degree programmes, notably its distance learning and full-time MBAs, while Henley Executive Development will in future look after the short executive and in-company programmes.

Hand-in-hand with the restructuring, Henley has announced its latest package of executive courses, which range from senior management programmes to courses in multicultural team-working.
Henley: www.henleymc.ac.uk

Bradford's Bayer deal

Bayer, the multinational chemical and pharmaceutical company, will send between 15 and 20 MBA students each year to the University of Bradford Management Centre, in the UK.

The exclusive open-ended agreement is for managers from Bayer sites around the world to complete the one-year, full-time programme.

The MBA course is part of Bayer's management-apprenticeship scheme.
Bradford: www.brad.ac.uk/index.html

Sainsbury's students

Five students on this year's full-time MBA programme at the Judge Institute in Cambridge have been awarded Sainsbury's bursaries, which pay the course fees, in part or full, of worthy students from the public sector.

The five UK students have been involved in everything from anti-landmine charities to relief work in Africa and UK regeneration projects.

With just 50 or so students on the Judge Institute full-time MBA, the five bursary holders account for about 10 per cent of the class.

● The Judge Institute has lured George Yip, former business strategy professor at the Anderson school at UCLA, away from California to take up a new position in Cambridge. Prof Yip has been appointed the first Beckwith professor at the Judge, a chair recently endowed by Peter Beckwith, a property entrepreneur.
Judge Institute: www.jims.cam.ac.uk/mba

Armstrong goes south

The Cox school of Business at the Southern Methodist University, in Dallas, has appointed Marci Armstrong as its new associate dean of masters programmes.

Prof Armstrong was most recently associate dean at Washington University's Olin School, where she directed the school's executive MBA programme.

At the Cox school Prof Armstrong will be responsible for the full-time MBA programme, the professional MBA, the executive MBA, some joint masters programmes and the MS in accounting.
Cox: www.cox.smu.edu

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Fax 44 171 873 3950

BUSINESS TRAVEL CUTTING COSTS

Journeying into the unjustified

Computers may soon be assessing whether your trip is really necessary, says **Amon Cohen**

"Is your journey really necessary?" a British propaganda poster asked civilians during the second world war. It is a question companies may well ask of their executives as they seek to cut business travel costs.

Although travel agencies can supply managers with information about their subordinates' travel plans, flatter corporate structures make it difficult for them to veto the trip.

"If we were to question them, travellers would always be able to come up with a justification for their trip," says Agi Charles, travel services manager for Syntegra, a BT subsidiary. In any case, she points out that with more than 1,000 projects going on in her company, she would not have the time to scrutinise the information.

As a result, the emphasis is shifting towards self-assessment. Tom Stone, SmithKline Beecham travel manager, has a reproduction of the "Is Your Journey Really Necessary?" poster on his desk.

"I am asking travellers to think for a moment before making their bookings, something they don't necessarily always do," he says. "Could they make one trip to the client instead of two? Could only one traveller go instead of two? Instead of making a return trip to Paris on Tuesday and another to Brussels on Thursday, could they do it all in one itinerary?"

Mr Stone also encourages SKB personnel to consider video-conferencing as an alternative. Technology is improving rapidly. One example is Ohio-based company TeleSuite which offers a "virtual mirror".

A group sitting in one location can look at a second group projected life-size on to a giant screen. Both groups are in identical rooms, giving the illusion that they are seated around the same table. TeleSuite is available at seven Hilton Hotels in the US at a cost of $200 an hour per site. The company is in partnership with Rosenbluth International in the US, and in Europe BTI UK Hogg Robinson has a similar arrangement with a videoconferencing company.

Even so, Mike Platt, BTI UK commercial director, has discovered that video-conferencing is not always effective. "We find that the vast majority of video-conferencing calls are national or at least intra-continental, otherwise one group would be sitting there in their pyjamas and dressing gowns," he says. "Also, it helps to generate as much travel as it prevents: If you have a video-conference, the next logical step is to hold a meeting."

Agi Charles has mixed feelings too. "Once video-conferencing is available on everybody's desktops and laptops, it will become viable. I think Monday morning conferences and other regular meetings will disappear in the next 12-24 months. However, I see no alternatives to meeting face-to-face for selling and buying or for installing and repairing."

What companies probably need most are guides to the most appropriate form of interaction. Both Rosenbluth and BTI UK are working on a system that would allow clients to forecast the value they would derive from a business trip, or whether a cheaper form of communication, such as video-conferencing or even e-mailing, would suffice.

"The idea is to break a corporation's trips down into categories, such as engineering, internal meetings and sales drives," says David Young, BTI UK technology director. "We would then ask what the corporation expects from these events and how their success would vary according to the type of interaction."

The aim, he says, is to "tell the company which type of communication it needs to achieve a particular layer of benefits".

US companies in particular, according to Mr Young, are investing a great deal of time in this sort of evaluation. BTI UK is at an early stage of its plans but Danamichele Brennen O'Brien, Rosenbluth chief travel scientist, claims she will produce a prototype in January 1999 that will interact with clients' human resources and finance systems.

Travellers, therefore, may soon find it is their computers, not their bosses, which tell them whether their journey is really necessary.

Shop around for the 'supermarket' bargain trips

Business travellers looking to save money might try two of the biggest travel internet sites to have arrived in Europe: Microsoft's Expedia and Travelocity, *writes Rachael Jolley.*

In its first move outside North America, Expedia opened its doors to bookings in Australia and the UK over the past two weeks.

Both Expedia and Travelocity offer access to thousands of airlines, hotels and car rental firms through a worldwide reservation system.

Unlike an airline internet site, which offers only bookings on its own flights, these multi-product "supermarkets" carry the latest details of flight prices and availability for every leading airline in the world.

By entering details of departure point, destination and flight times, travellers can search for the best travel arrangements. Credit card payments can be made online. Both web sites also work with travel agents which can post tickets.

Regular users can set up a personal profile, avoiding the need to type in the same details, and to record preferred airlines and hotels. First-time bookings can take 20 minutes, but return visits are quicker.

Simon Breakwell, Expedia general manager, expects small and medium-sized businesses to use the site. In the US, where Microsoft takes travel bookings of $7m (£4.4m) a week through Expedia, Mr Breakwell says 30 per cent comes from business travellers. "They are frequent-flier addicts, but they don't book expensive tickets."

Expedia is constructing a German language site to be launched next year.

Low-cost carriers such as EasyJet in Europe and Southwest Airlines in the US have been at the forefront of the aviation industry's acceptance of internet bookings. EasyJet has been taking bookings for six months. Spokesman James Rothnie says 7 per cent come via the internet and he expects that to rise to 30 per cent by the end of 1999.

● Alcatel, the French telecommunications group, is launching a Webphone in February which will give instant access to the internet and e-mail simply by pushing buttons, *writes Gillian Upton*. The Webphone has good telephone quality and incorporates a tactile colour screen, measuring 7½in diagonally, but no mouse; instead users point with a plastic pen. It also incorporates a fast modem (33.6), internet browser application and electronic address book.

It will retail for around $400.

TRAVEL UPDATE

A slow front desk can cost business

Slow service at the front desk costs hotels business. That was the clear message from research undertaken by Mori on behalf of the Forte group. Location remains the key consideration when travellers decide where to stay. But the survey showed that when hotels are equally convenient and offer broadly the same value and standard of service, a prompt and efficient check-out gives them a crucial competitive edge. When guests were asked to list the 10 factors that might swing their choice of accommodation, they rated a swift check-in second most important, with speedy response to complaints in third place. Hotels tempted to dispense with restaurants should note that the food quality was seen as a more persuasive element than rapid room service, which lagged in eighth place – just ahead of a warm welcome by bar staff.

Pressure on agents

Travel agents are coming under intense pressure to charge customers fees for their services instead of relying on commission. Many do already, but as airlines step up efforts to cut costs by capping commission, hundreds more are expected to make the switch. Last week two leading US carriers, American and Delta, followed United Airlines in announcing they would limit payments to agents selling tickets for international flights at 8 per cent of the fare – or a maximum $100 per round trip. The latest cost-cutting moves affect only North American agents, 64 per cent of whom are reckoned to be charging fees. American said it had no immediate plans to do the same in Europe. However, some European airlines, including British Airways, are also seeking to contain distribution costs and, if recession starts to cause serious pain, the movement could become a stampede.

Looking to the Gulf

Shangri-La, the five-star Hong Kong-based hotel group, is negotiating to open a hotel in the Gulf – its first in the Middle East. The company has been a niche player in Asia but the region's continuing economic woes have fuelled its enthusiasm for diversification. Meanwhile it is building three properties in China, despite nagging fears about the country's ability to ride out the crisis. Next year it plans to open hotels in Harbin and Wuhan with 346 and 507 rooms respectively. Next summer it will open its fourth in Beijing, a 487-room property in the Kerry Centre.

Stansted slots

Scarcity of suitable take-off and landing slots at London Heathrow is the principal reason why Lufthansa has launched its first service to Stansted. The German airline begins flying there from Munich today, with introductory fares starting at just under £80 return, including taxes. The airline says: "Slots are becoming very hard to get at Heathrow but that is not the only reason for this move. We believe there are many travellers in north London, the east of England and the Midlands who simply do not want to struggle around the M25." Conventional airline industry wisdom says that it makes little sense to split operations unless the intention is to develop further services from the alternative airport. "We will certainly look at other routes from Stansted," said Lufthansa, "but we are committed to nothing yet." Lufthansa is operating three flights a day, departing from Munich at 7am, midday and 5.30pm and from London at 8.25am, 1.30pm and 7pm.

New budget hotels

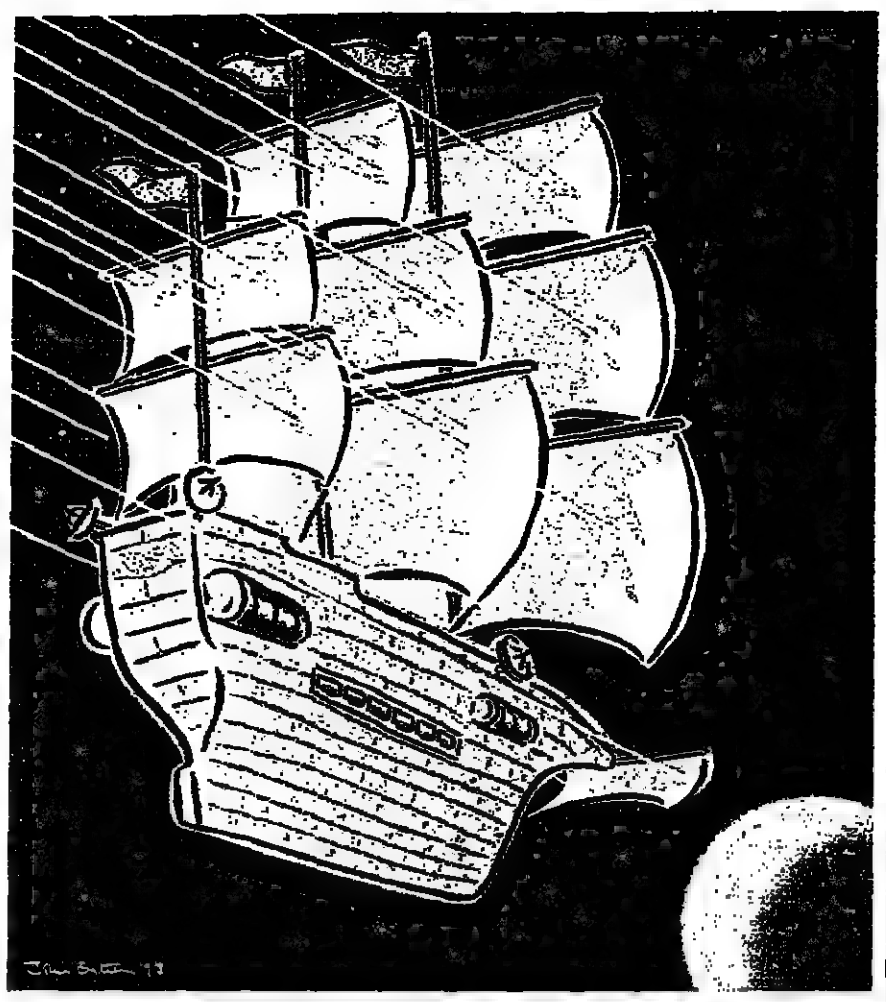
The proliferation of budget hotels in the UK continues apace. Granada's Travelodge chain plans to open 35 new properties, mainly in city centres, next year in a £100m expansion drive. Competition in the sector is so fierce that the company is guarded about revealing locations, but it will include one in Nottingham. Prices start at £55.95 a night, and the hotels offer fax machines and meeting rooms for business travellers, and an account card membership scheme.

Roger Bray

TECHNOLOGY INTERSTELLAR TRAVEL

Daring to reach for the stars

The exploration of deep space is no longer the stuff of dreams, writes **Leonard David**



The first component of the $40bn (£25bn) International Space Station may have been lifted into orbit late last week, but *some space experts are* looking well beyond the immediate vicinity of earth.

Across vast distances of space, their quest is the pale blue dots which whirl around their parent stars in a celestial comfort zone which scientists call the "Goldilocks region".

It is a setting on a solar system thermostat where a planet is neither too close to a sun – and therefore too hot – nor too far away and left out in the cold.

Such a temperature setting has been "just right" for life on earth. Now the US National Aeronautics and Space Administration (Nasa) is beginning blueprinting new telescopes to spot earth-*like worlds in the galaxy* and considering ways to send robotic craft to take a closer look.

Work is under way to launch an interstellar probe next century on a journey to survey a distant star and its companion planets. A study team at Nasa's Jet Propulsion Laboratory (JPL) in Pasadena, California, has sketched out a technology roadmap for an interstellar *mission. Possible targets* could be the closest stellar objects observed beyond our solar system, the three-star system of Alpha Centauri, some 4.3 light years away.

This is where the enormity of space begins to seep in. A light year is the distance light travels in a year at a speed of 298,051km per second. That adds up to 9,410bn kilometres, putting Alpha Centauri's trio of stars at more than 40,000bn kilometres away.

"You have to be thinking in a visionary way to think of sending a spacecraft to a neighbouring, nearest star," says Charles Elachi, JPL's director for Space and Earth Science Programs. "What we *are looking at now, first, is* what is the technical feasibility of such a mission. I *don't think we will be going* on this endeavour in the next five years. It's really a vision for the next 25 years."

Earlier this year, a JPL-sponsored workshop on robotic interstellar exploration in the next century brought together top scientists and engineers to start the master planning.

A leading scenario is use of ultra-thin "light sails", pushed to one-tenth the speed of light by laser beam. The sail would be the spacecraft, embedded with micro-*electronic devices to carry* out science duties at the end of its trek, relaying images *and data back to earth.*

'You have to be thinking in a visionary way to think of sending a spacecraft to a neighbouring, nearest star'

"Beamed energy gets around the rocket equation [hauling up into space rocket stages packed with fuel to gain the *necessary momentum]* because you don't have to carry your fuel. You essen*tially leave your source of* energy at home," says JPL.

However, tens of gigawatts of laser power may be required to beam a robot light sail accurately on a star trek mission. Those power levels are still in the dream stage, but are considered to be attainable in the future. Furthermore, decades of flight by the craft would require autonomous, highly reliable systems. The vehicle would have to repair and *maintain itself.*

One workshop idea is to launch a train of interstellar *probes that would, one by* one, enter a distant solar *system,* each relaying to the following probe what it has learned. The last vehicle in *the chain would assimilate* all the data, perhaps going into orbit around a planet.

These ideas could bring benefits closer to home. "If you have the capability to go interstellar distances, that same capability would make exploration within our own solar system really simple," says Geoff Landis, a senior researcher at the Ohio Aerospace Institute in Cleveland, Ohio.

Dr Landis says flying a thin-film solar sail – similar to a light sail, but using photons of energy from the sun *for a push instead of a* directed laser beam – would be an early experiment. "We *need to get a functional solar* sail up and actually sail it somewhere, like to Mercury or Venus or an asteroid. Once a sail has been demonstrated, more ambitious concepts would be a lot more credible," he says.

JPL also believes the inner solar system can be used as a proving ground for interstellar travel technologies. For instance, light sails pushed through space by *laser energy could enable* package delivery of medicines or spare parts to future *Mars* expeditionary crews in 10 days, rather than the many months typically taken by chemically propelled rocketry.

Another project is to hurl a spacecraft to a point where the sun serves as a gravitational magnifying glass. This phenomenon can be tapped by spacecraft to scan the surrounding universe in unprecedented detail. These "deep diving" forays would hone the prerequisite skills *to mount a robotic interstel*lar flight within the next 25 years, say Nasa planners.

Why send spacecraft light years into space? One reason is that the census of extra-solar planets, specifically those earth-sized worlds that may harbour life, is expected to grow rapidly in the future.

"In the not too distant future, we will have the technology needed to image any planets that orbit nearby stars," explains Daniel Goldin, Nasa administrator. *"It may be possible to* infer through spectroscopic analysis of their atmospheres or the colour of their oceans whether they are life-bearing. That would change everything . . . no human endeavour or human thought would be untouched by this discovery."

TIM JACKSON
ON THE WEB

Casting the net wide

Impulse! Buy is aiming high with a sales system plugged into a multitude of sites

Venture capitalists in the US are regularly presented with internet commerce start-ups *that promise to achieve* $100m in sales within three years. But high growth and high margins are rarely compatible. The few web businesses that can deliver – AOL, eBay, Yahoo!, for instance – are rewarded by the stock market.

That is what makes Impulse! Buy Network, a *start-up based near San* Francisco airport, unusual. It has developed a software tool for consumer electronic commerce that its founder believes could not only turn into a $100m business in three years, but perhaps achieve gross margins as high as 70 per cent.

Mark Goldstein, 36, says his idea has two sources. One was QVC, the shopping channel, whose formula of showing TV audiences diminishing quantities of merchandise turned into a billion-dollar business in the 1980s. His second starting point was the online auction *business, where companies* like Onsale built large businesses selling *manufacturers' and* distributors' excess inventory by auction over the internet. Successful as this was, Mr Goldstein believes it has done little for retailers who want to use the internet to liquidate excess stocks while maintaining their relationship with the customer.

Hence the Impulse! Buy Network. It is a centralised *system that allows* merchants to issue fast-changing offers over the internet across many web sites. To save each merchant the time and trouble of striking a deal with each web site, Impulse! Buy aims to become a clearing house where parties on each side of the transaction can strike a single deal. A fee of $1,000 buys a vendor distribution *across many* web sites, and a minimum 50,000 'impressions'.

Once sales are generated, you then pay Impulse! Buy a commission of 8.75 per cent (3 per cent if you are in the lower-margin PC business) on each successful transaction. Impulse! Buy then shares that revenue *with the site whose* visitor bought your product.

The clever bit is that Impulse! Buy *runs* a 'deal server', based on Marimba's Castanet technology. This *allows it to manage* thousands of short-term offers, either at fixed price or in an auction, across thousands of targeted web sites. In this way the company can satisfy successful portal sites, which want to ensure they are not wasting valuable 'real estate' on offers that may not bring in revenue. This is because Impulse! Buy can use live selling data to *give greater* exposure to offers that generate the best response.

From a standing start just over a year ago, Mr Goldstein says the company has signed important portal sites, including ZDNet, PointCast, Yahoo! and AOL, and prominent merchants, including Land's End, Avon, CyberShop, Etoys, CD Now, *Real.com* and *Egghead.com.*

There are two secrets to this success. One is that Mr Goldstein has solid experience of growing *companies quickly. This is* his third business; the first, an online broking pioneer, was sold to Reuters, while the second merged with Firefly, a company later acquired by Microsoft.

The other is an astute strategy. He won the endorsement of Yahoo! by selling the company a minority *stake, and roped* in ZDNet by virtue of receiving an investment from SoftBank, ZDNet's Japanese parent. These deals gave the company the credibility to sign up other big merchants.

Recently, however, Mr *Goldstein changed strategy.* Rather than trying to sign up merchants one by one, the company now focuses on working with the portal sites. A deal with AOL, due to start last Friday, gives Impulse! Buy the job of managing AOL's "deal of the day" promotions.

The deal will not make Mr Goldstein rich directly: AOL is taking all of the commissions for itself, leaving Impulse! Buy only a fixed fee. But Mr Goldstein realises that once AOL's *biggest merchants see that* his system works on AOL, they will be keen to sign up to distribute their offers elsewhere on the web.

I see only two uncertainties. One is that Mr Goldstein's determination to reach critical mass as quickly as possible – he wants to have 10,000 different "open offers" running across his network at any one time – may make it harder to achieve those high margins.

The other is about investors' exit. The credibility of the company's distributed architecture depends on independence from any single portal site. If it were to be acquired outright by Yahoo! or AOL, for instance, few other portals would be comfortable doing business with it. So the company's investors (which include Canaan Partners, a VC fund based in Connecticut) have fewer options if they want it to be sold rather than to go public. Nevertheless, this is one of the cleverest ideas I have come across for months.

tim.jackson@pobox.com

هكذا من الأصل

OPENINGS

COLOGNE
Walter Braunfels's opera *Die Vögel* receives its first modern staging on Friday at the Opernhaus. Premiered in 1920, the work was banned by the Nazis, and largely forgotten until a recent recording under Decca's Entartete Musik label. The Cologne production is conducted by Bruno Weil and staged by David Mouchtar-Samorai.

AMSTERDAM
To mark the re-opening of its Department of Dutch History, the Rijksmuseum has organised an exhibition devoted to Sawasa, a type of luxury object produced in the 17th and 18th centuries in Japan and China. The show opens on Saturday and runs till the beginning of March.

CHICAGO
Pierre Boulez (below) begins three weeks of concerts with the Chicago Symphony Orchestra on Friday by conducting the world premiere of a new work by Augusta Read Thomas (b.1964), the orchestra's composer-in-residence. The programme also includes Debussy's *Nocturnes* and *La Mer*.

LONDON
J.M.W. Turner's tour of the Alps in 1802, his first trip to continental Europe, is the subject of an exhibition at the Tate Gallery (far left), opening on Wednesday. Turner was one of the first British artists to explore this region in detail, and this display of 68 works on paper reveals his initial impressions of the inspiring landscapes he encountered.

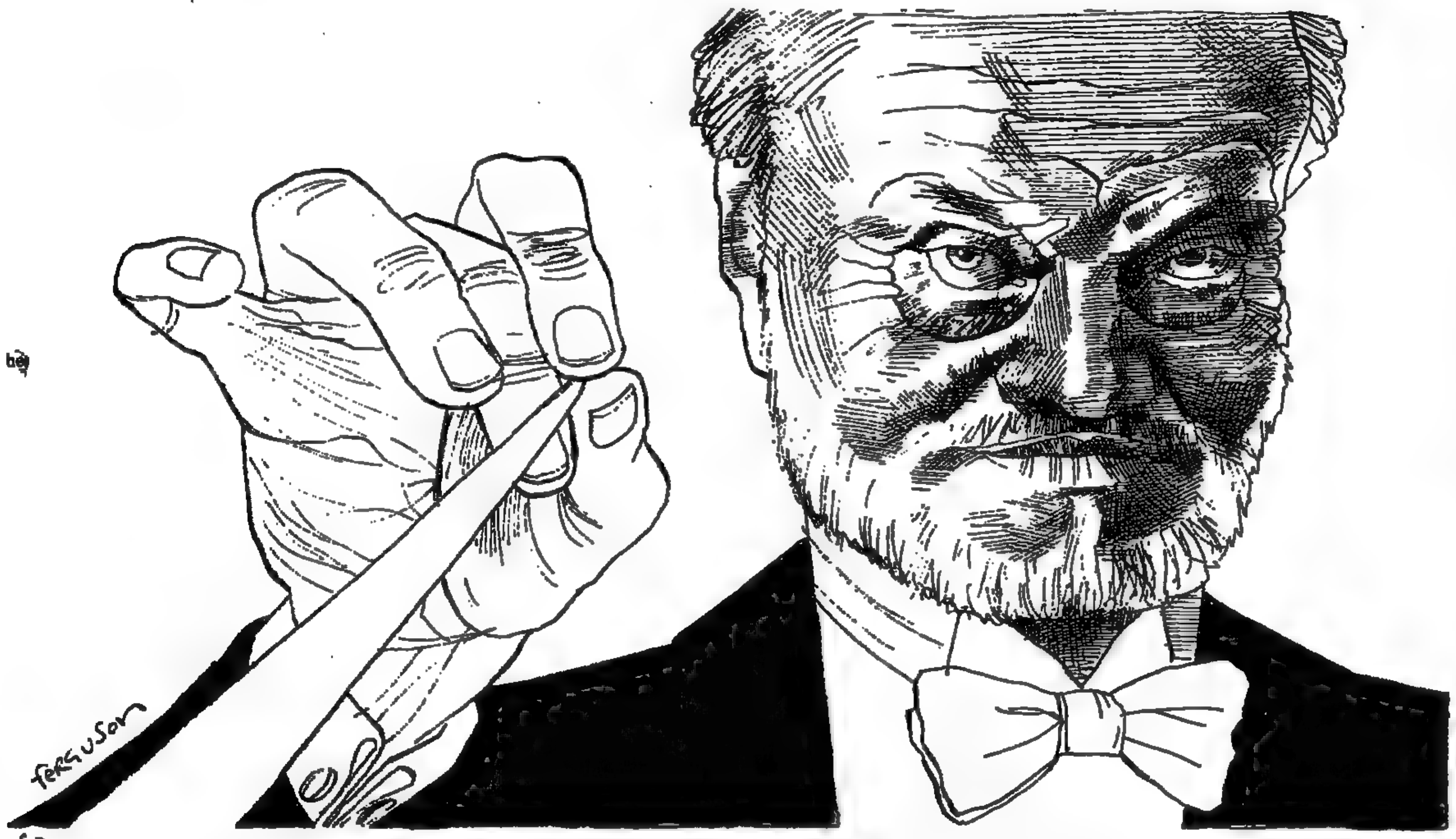
The new National Theatre production of Harold Pinter's *Betrayal* opens at the Lyttleton Theatre on Tuesday. Trevor Nunn directs; the cast is led by Anthony Calf, Imogen Stubbs and (stalwart of many a Pinter play) Douglas Hodge.

NEW YORK
Patricia Racette (right) has replaced Renée Fleming as Violetta in Franco Zeffirelli's new production of *La traviata*, opening tonight at the Metropolitan Opera. Fleming withdrew during rehearsals "due to family reasons". James Levine conducts.

The British director Tim Supple presents a new version of his *Grimm Tales* - a great success at London's Young Vic in Christmases past - as adapted from Grimm by Carol Ann Duffy and Supple himself. Opening tonight at the Victory Theatre, this production features several of the actors who have worked with Supple at the Young Vic and is accompanied by remarkable music composed by Adrian Lee.

A triumphant betrothal

The marriage between Kurt Masur and the London Philharmonic is perfectly timed, writes **Andrew Clark**



Kurt Masur's concert at the Festival Hall last Thursday was a bit of a love-in: it was his first London appearance since being appointed principal conductor-designate of the London Philharmonic. As he arrived on stage, Masur beamed, the orchestra applauded. Some in the audience stood to cheer.

After a sturdy, unremarkable account of Beethoven's Eighth Symphony, it was hard to know what the fuss was about. But then Masur conducted *Peer Gynt*, a dramatised narrative using 15 of the scenes Grieg wrote as incidental music for Ibsen's play. It's a rarity in the concert hall – the text needs careful editing and, on the surface, offers conductors little scope for interpretation – but its poetic colours blossom in the right hands.

It has long been a Masur party-piece. With Simon Callow as the vivid Narrator, a radiant Edith Wiens as Solveig, and telling contributions from the London Philharmonic Choir, the performance had the kind of robust, joyful conviction that leaves you on a high. At the end, Masur beamed again and the musicians repeated their applause. This time, the ovation was justified.

With no figurehead these past three years, the London Philharmonic must have drawn special satisfaction from this betrothal party. They recognise in Masur a combination of artistic respectability and box-office safety. They and their supporters are banking on him to return the LPO to the glorious perch it falteringly occupied under Klaus Tennstedt in the 1980s.

For Masur, London represents an unexpected turn in his career. Only a year ago, he had every right to regard the music directorship of the New York Philharmonic as his for life. Since 1991, he had transformed its fortunes. He gave it self-respect, cultivated a mellower sound, generated a host of satisfied subscribers. In the process, he graduated from reliable Kapellmeister to international maestro. Putting his 26-year music directorship of the Leipzig Gewandhaus behind him, he told American interviewers he was a New Yorker at heart.

Then, at the beginning of the year, the board asked him to retire. His repertoire had become repetitive. The Philharmonic was beginning to look staid next to the youthful dynamism of orchestras in Los Angeles and San Francisco. And Masur frequently collided with the executive director, Deborah Borda, over matters of artistic control. She is authoritarian; so is he. She carried the board; he had the support of the musicians. But unlike London, where orchestras are self-governing, it's wealthy volunteers who call the tune in New York. The outcome was a lot of

They are banking on him to return the LPO to the glorious perch it falteringly occupied in the 1980s

ugly skirmishing and a compromise under which Masur and the Philharmonic agreed to part company in 2002.

Masur felt betrayed, slighted, sidelined. "For most of this year he's been walking around like a wounded animal," says one of the musicians. Then Masur remembered the London Philharmonic. Serge Dorney, its manager, had long been pleading with him to take the mantle once worn by his old friend Tennstedt. A triumphant concert in February set the seal. Last month, when Masur broke the news to his New York orchestra, it was as if he was getting his own back: he seemed very happy about it.

If it hadn't been for the power struggle with Borda, London would have remained far from Masur's sights. In the circumstances, the LPO deal could not have been better timed. It involves Masur in minimum outlay for maximum exposure. He is buying into the UK scene when the London Philharmonic's stock is flat and his own riding high. After his American adventure, London represents the perfect European power-base.

But what does London get in return? In New York, he was paid $1.3m for 20 weeks' work a year, so it would be misleading to use his track-record there as a guide. With only seven concerts a season in London, (starting in 2000), the principal conductorship of the LPO looks like a boutique appointment: a big name decorates the front window, helping to lift spirits, recruit sponsors and drain the budget. Outside a handful of showpiece events, it's back to the old routine.

Masur will no more be Tennstedt's double at the LPO than he was the second coming of Bruno Walter in New York: his style is too regimental for that. Nor can we expect him to be a modernist adventurer like Christoph von Dohnányi at the Philharmonia.

But he can sustain the LPO's pedigree with solidly Germanic readings of Beethoven, Brahms, Bruckner and anything associated with Leipzig. He's too much of a controlling figure to be a great accompanist, but he is good on programmatic works such as the *St Matthew Passion* and Britten's *War Requiem*.

In a world of showmen and phoneys, Masur represents authority, tradition, artistic principle. A bearded bear of a man, he can be severe with his musicians and paranoid about the press. But perhaps, disemburdened of the weight of following in Toscanini's footsteps in New York, he may present a more genial face in London. He's not going to be here long enough to suffer over-familiarity. Only he can prove that his impact will be more than cosmetic.

Kafka soufflé fails to rise

THEATRE
ALASTAIR MACAULAY
Kafka's Dick
Piccadilly Theatre, London W1

We live in crazily clever times. In the incessant recyclings of this postmodern era, both the creators and the creations of our culture keep coming round again. The offstage lives of the *Carry On* comedians is the onstage subject of a Terry Johnson play (and Barbara Windsor went to its first night). Cinderella and Red Riding Hood and the Witch all compare notes in a Sondheim musical, A.E. Housman and Oscar Wilde discuss life and art on Jubilee day in a Stoppard play.

Some cultural historians have announced that postmodernism is the final movement in the history of the arts; that, after all this recycling, there is nowhere else left for culture to go. After seeing Peter Hall's new production of Alan Bennett's *Kafka's Dick*, I am inclined to agree.

In this 1986 play, Kafka and his friend/editor/biographer Max Brod and Kafka's father all turn up in a present-day Kafka-conscious, middle-class English suburban residence. The whole idea is strenuous. On the one hand, Bennett wants to make shrewd points about our modern obsession with biography (this is a household where the probable shortness of Kafka's penis is much discussed). On the other, Bennett wants to build an elaborate farce in which characters rush in and out of doors and catch each other in misleading situations and hide things.

On press night, a well-orchestrated audience laughed busily at everything. Perhaps audiences will laugh equally at later performances; these days, Alan Bennett is spoken of in the same breath as Jane Austen. Some of the laughter is deserved. Julia McKenzie and Eric Sykes, as Linda and Father (two of the modern-day characters), give performances both expert and charming. *Kafka's Dick* is a soufflé, and these two winning comedians know how to give life and air to their lines.

Elsewhere, however, the soufflé fails to rise; and one is made aware how much hard work Bennett put into its preparation. The daffy finale is set in Heaven: Kafka's father keeps spotting famous people. "Go easy on the cheese straws, Mahatma, you've got to watch your waistline." The Virgin Mary is said to be looking sad because she has no grandchildren. "You can't knit bootees for the Nicaean Creed." The effort that goes into the wit is heavily evident.

Some of the fault, alas, lies with Peter Hall. This *Kafka's Dick* is the final production of his company's season at the Piccadilly Theatre, which will end in January. I love the idea of a West End repertory company; I love or like most of the repertory this one has been performing. But I cannot in conscience say that any of this year's productions have "gelled" well. Unlike last year's Peter Hall season at the Old Vic, there has been no production this year I have wanted to see twice at the Piccadilly.

When did Hall last create a completely successful ensemble? His *Filumena* was spoilt by several dissimilar ideas of how to act Neapolitan. A similar problem in *Kafka's Dick* is that John Gordon-Sinclair and Michael Byrne play the Kafkas with Scottish accents, while Jason Watkins acts Max Brod in a Czech accent.

Gordon-Sinclair's Kafka is a stiff-jointed chap, with a squeezed little voice; it is so unrelaxed a performance that we are unsure if he could act it any other way. Denis Lill gives an earnest account of the amateur Kafka scholar, Sydney. Doubtless this production will improve in later performances. At present, however, *Kafka's Dick* seems less amusing than contrived.

Kafka's mixed bag: Julia McKenzie and John Gordon-Sinclair Alastair Muir

INTERNATIONAL Arts Guide

ADELAIDE

OPERA
State Opera of South Australia
The Ring: first cycle of Wagner's opera. Staged by Pierre Strosser and conducted by Jeffrey Tate, this performance of The Ring is the first in Australia since 1913; to Nov 24

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
The Rake's Progress: by Stravinsky. Conducted by Reinbert de Leeuw in a staging by Peter Sellars. Cast includes Donald McIntyre, Thomas Randle and Willard White; Nov 23, 26

BARCELONA

EXHIBITION
Fundació Joan Miró
Tel: 34-93-329 1908
www.bcn.fjmiro.es
Magritte: an exhibition celebrating the centenary of René Magritte's birth. It contains over 90 paintings and 50 photographs by the Belgian Surrealist, which are grouped into 5 recurrent themes from his work; to Feb 7

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
● Chicago Symphony Orchestra: conducted by Riccardo Chailly in works by Mahler and Mendelssohn. With mezzo-soprano Petra Lang and baritone Simon Keenlyside; Nov 24
● Chicago Symphony Orchestra: conducted by Pierre Boulez in the world premiere of Thomas's Orbital Beacons, and in works by Debussy. With the women of the Chicago Symphony Chorus conducted by Duain Wolfe; Nov 27, 28

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 24

HELSINKI

DANCE
Finnish National Ballet
Tel: 358-9-403 021
Giselle: staging by Sylvie Guillem. With sets and costumes by Ramón B Ivars. Conducted by David Garforth; Nov 24, 26, Nov 28

OPERA
Finnish National Opera
Tel: 358-9-403 021
Anna Bolena: by Donizetti. Conducted by Maurizio Barbacini in a new staging by Jussi Tapola, with designs by Anna Kontek; Nov 27

HUDDERSFIELD

CONCERTS
Huddersfield Contemporary Music Festival
Tel: 44-1484-430 528
● Elliott Carter 90th Birthday Tribute: works by Carter, including the European premiere of his Piano Quintet, performed by the Arditti String Quartet and pianist Ursula Oppens; St. Paul's Hall; Nov 27
● Estonian Philharmonic Chamber Choir: conducted by Tonu Kaljuste in traditional songs by Veljo Tormis; St. Paul's Hall; Nov 23

DANCE
Huddersfield Contemporary Music Festival
Tel: 44-1484-430 528
Jonathan Burrows Group: three dancers perform new work drawing on music and ideas by Matteo Fargion, Tom Johnson and Kevin Volans; Lawrence Batley Theatre; Nov 24

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Sir Colin Davis conducts a series of works by Elgar; Nov 25

Royal Festival Hall
Tel: 44-171-960 4242
Estonian Philharmonic Chamber Choir: with the Tallinn Chamber Orchestra. Tonu Kaljuste conducts work by Estonian composers Erkki-Sven Tuur and Arvo Pärt; Nov 26

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Boris Godunov: by Mussorgsky. Conducted by Paul Daniel in a new staging by Francesca Zambello, with sets by Hildegard Bechtler. John Tomlinson sings the title role; Nov 24, 27

MILAN

EXHIBITION
Pinacoteca di Brera
Tel: 0039-0272-2631
La Dama con l'Ermellino: Leonardo da Vinci's 1489 portrait of the young mistress of Ludovico il Moro travels to Italy for the first time since 1800, when it was purchased by the Polish Prince Czartoryski; to Dec 13

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Danish National Radio Symphony Orchestra: conducted by Gennadij Roshdestvenskij in works by Nielsen, Shostakovich, Rachmaninov and Stravinsky. With violin soloist Viktoria Mullova and pianist Viktoria Postnikova; Nov 26
● Munich Philharmonic Orchestra: conducted by Zubin Mehta in works by Liszt, Beethoven and Berlioz. With piano soloist Radu Lupu; Nov 23, Nov 24

NAGOYA

EXHIBITION
Matsuzakaya Art Museum
The Carmen Thyssen-Bornemisza Collection: touring show of 94 paintings, ranging from the 18th century to the early 20th. Highlights include 19th century Spanish works and works by American painters. Also on display are recently acquired works by Delaunay and Braque; to Dec 8

NEW YORK

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
La Bohéme: by Puccini. With Julius Rudel conducting and a cast which includes Francesca Pedaci, Gwynne Geyer and Vladimir Grishko; Nov 25

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Frans Brüggen in works by Schumann and Mendelssohn. With violin soloist Thomas Zehetmair; Nov 25, 26

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
The Merry Widow: by Franz Lehár. Conducted by Armin Jordan and with a cast including Frederica von Stade and Hakan Hagegard; Nov 23, 25, 27

SAN FRANCISCO

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San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Haydn, Shostakovich and Brahms. With piano soloist Vladimir Feltsman; Nov 25, 27, Nov 28

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
Norma: by Bellini. Conducted by Patrick Summers in a staging by Andrew Sinclair with sets by José Varona. The title role is sung by Carol Vaness; Nov 24, Nov 28

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Japan Philharmonic Symphony Orchestra: conducted by Kazuhiro Koizumi in works by Tchaikovsky and Stravinsky; Nov 23
● Japan Shinsei Symphony Orchestra: conducted by Ondrej Lenárd in works by Mahler; Nov 24
● Russian National Orchestra: conducted by Mikhail Pletnev in works by Tchaikovsky and Stravinsky; Nov 25

Tokyo Opera City Concert Hall
Russian National Orchestra: conducted by Mikhail Pletnev in works by Beethoven and Tchaikovsky; Nov 23

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● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PERSONAL VIEW COLIN SHARMAN

Time for clarity

Every day the UK government delays a decision on when to join the euro costs British industry and commerce money

If there is one thing that British business and its leaders dislike above all others it is uncertainty. In this respect they are no different from stock markets, which only reflect the fears and aspirations of shareholders. The end result is the same for both parties – uncertainty costs money.

Unfortunately, this fundamental fact does not appear to have been fully grasped by the British government, which has persistently sent out conflicting messages on Britain's position on the euro.

A taste of Euro reality: but the UK will have to wait

Certainly, the overall more positive approach to the euro by the Labour government is to be welcomed; however, while the political debate is clearly one that fascinates its exponents, every day without a decision is costing British industry and commerce money.

By not being full members of the first 11 countries that will adopt the euro next January, British businesses will face substantial costs in achieving partial euro-compliance without enjoying the full benefits of euro-zone membership.

I do not believe the measure of these costs is fully realised. Neither is it fully appreciated that by delaying adoption of the euro, the ultimate costs to British business may well be higher than if the decision had been to join the first 11 for the opening match.

For there are very substantial costs associated with a company achieving euro-compliance. A recent survey showed that for the average, large pan-European business, costs will amount to around £20m.

This figure does not include any costs arising from strategic changes that a business needs to make in order to maximise its competitiveness in the new euro-zone environment.

However, these estimates do not allow for the fact that, with the UK not in the first wave, many businesses, and in particular smaller ones, will take two strikes to their bottom line. They will first incur the costs involved in changing their systems to allow them to trade in euros. With many businesses expected to transfer to the euro early, including the local subsidiaries of foreign-owned multinationals and those UK-based companies that have most of their revenues derived from the euro-zone, realistically this cannot be delayed.

The second, and larger, cost of transferring their base accounting systems to the euro may be delayed, but not avoided, if the UK is to join in the foreseeable future.

A further twist is that a substantial part of the costs of compliance, particularly for retailers and other businesses servicing the consumer, will be incurred to support the dual currency environment during the transition period.

For first wave countries, there will be a period of three years during which the euro will be traded on paper and electronically in parallel with the national currency denominations. This will be followed by a further period of up to six months during which both euro and national notes and coins will be in circulation.

Until a clearer picture emerges of the government's intentions, British companies remain in the dark as to whether they must plan on the basis of an extended transition period, with all the costs and complexities this entails. A short period or a "big bang" would avoid much of this, but UK businesses need to know so that a responsible planning basis can be established.

The key questions that need to be answered to allow British companies to plan and prepare successfully are:

- Should they plan on the basis of UK entry in the medium term, the longer term, or never?
- If the answer is that the UK will join in the medium term, what timeframe and transition plan should they be working to?

Likely interest rate trends, in parallel with ever greater de facto convergence of the underlying real economies, suggest there will be a "window of opportunity" somewhere around 2000-2001 during which the exchange rate of sterling could be locked into the euro with no major disruption. These considerations all favour an early commitment to entry in the medium term.

Of course, this would not allow for the recommendation by the House of Commons Treasury Committee that any judgments on the economic success of Economic and Monetary Union should be based on a track record of five years. This would enable the performance and sustainability of EMU to be assessed across the business cycle, which is sound economics, but political reality cannot be ignored. British businesses cannot afford to wait.

As far as a timeframe is concerned, the Maastricht treaty is quite clear on the possible dates for UK entry. There is an opportunity to enter EMU at two-yearly intervals, on January 1 2001 or 2003. After this it becomes increasingly difficult, since in 2003 or soon thereafter the membership of the EU may expand, with up to six new members.

The need to adapt the EU's institutions and practices to an enlarged membership will further complicate the EU's ability to cope with the entry of a major currency such as sterling.

The government should therefore commit as early as possible to second wave entry to EMU, barring unforeseen circumstances or developments, thereby setting a clear timeframe for business. This would mean sterling would become irrevocably locked to the euro on January 1 2001. There would follow a one-year transition period, with the UK back on track for the introduction of euro notes and coins on E-Day, January 1 2002.

Businessmen dislike uncertainty because it forces them to gamble with the future of their businesses on the basis of inadequate information.

The present uncertainty about the UK's position means several key elements are unknown. Managers are forced to make assumptions about events over which they have no control and which are outside their normal frames of reference, experience and knowledge of their industries and markets.

The outcome cannot but be something of a lottery, with some winners, but the whole economy as the likely loser.

The author is chairman of KPMG International

LETTERS TO THE EDITOR

Widely heralded credit contraction is a craze, not a crunch

From Professor Tim Congdon.

Sir, In your leader of November 19, "After the Fed's cut", you remark that "the Fed has judged that, for the moment, a credit contraction remains a greater risk than an equity bubble".

But what exactly is the evidence for "a credit contraction"?

Weekly data are published by the US Federal Reserve on the growth of bank credit and the money supply in the US. In the 13 weeks to October 26, bank credit increased by 4.8 per cent or at an annualised rate of 21.3 per cent.

In the four weeks to October 26, a period commonly regarded as the worst phase of the so-called "credit crunch", bank credit rose by 1.9 per cent or at an annualised rate of 28.3 per cent.

Some newspaper stories suggest the banks have been particularly reluctant to extend credit to corporate customers.

In fact, in the four weeks to October 26, commercial and industrial credit rose by 2.8 per cent or at an annualised rate of 43.4 per cent.

I would argue that these figures indicate not a credit crunch but a credit craze.

Despite well-publicised difficulties at a few over-leveraged institutions, most American banks have ample capital and are keen to expand their balance sheets.

It is hardly surprising that the growth of M2 and M3 have accelerated to virtual double-digit annual growth rates in the summer and autumn of 1998.

I suggest that here lies a large part of the explanation for the equity bubble to which you quite rightly refer.

Professor Tim Congdon
Managing director,
Lombard Street Research Ltd,
Cannon Bridge,
25 Dowgate Hill,
London EC4R 2GN, UK

New name for lifelong learning initiative

From Mr Simon Sperryn.

Sir, The UK government's decision to rename the University for Industry ("Flagship lifelong education plan to be renamed", November 17) signals a welcome end to the confusion surrounding its lifelong learning initiative.

The name "University for Industry" was misleading for two reasons. Firstly, it is not a university, but a means of stimulating demand for lifelong learning and improving access to learning. Secondly, its prime focus is on individual learning and development rather than on industry.

The right name needs to convey the idea of improving work skills through information and communications technology. It must make skills development accessible and attractive. Only then will the campaign to encourage more individuals to improve their skills begin to have an impact.

Simon Sperryn,
London Chamber of Commerce and Industry,
33 Queen Street,
London EC4R 1AP, UK

Work assets, not workers

From Sir Ian Morrow.

Sir, Britain's continental and US competitors enjoy higher levels of productivity because they work the assets not the workers much more than we do. Plants run at least double day shifts, each shift fully manned and properly managed.

The supermarkets have seen the light and they are working their fixed assets many more hours than has been traditional, but not the workforce. Consequently, the staff work reasonable hours and enjoy their jobs.

This approach is far more effective than excessive overtime, and overall it is profitable productivity.

Ian Morrow,
2 Albert Terrace Mews,
London NW1 7TA, UK

Britain's basic state pension continues to lag behind earnings despite Labour's pledges

From Prof A.B. Atkinson and others.

Sir, The future of the UK's basic pension is in the balance. The government has announced that in April 1999 it will rise only in line with prices. This despite the promise made in 1980, when the Tories broke the link with earnings, and repeated in Labour's 1997 manifesto, that pensioners (all pensioners in the Labour version) would continue to share in rising national prosperity.

If that pledge had been honoured, the basic pension would be more than £90 ($151) a week in April 1999 instead of £66.75.

Nobody expected the government to reverse at a stroke the effects of 18 years of neglect, but it is barely credible that under New Labour the pension is still falling further behind average earnings. The latest excuse is that the next year's rise in income support – the £75 "guaranteed minimum" – will concentrate help on the poorest pensioners. It will not. The poorest pensioners are those who, although entitled to income support, do not get it. And the government's costings for the next three years assume that, despite all efforts to trace them, more than half a million will still not be getting it in 2002.

The only way to make a reality of the guarantee is to raise the basic pension to at least £75. Anyone who thinks the country cannot afford it should note that the government intends to cut National Insurance contributions from April by more than £1bn a year, while the Treasury's annual contribution to the fund, abolished by the Conservatives, would more than cover the cost of the increased pension.

A.B. Atkinson, warden of Nuffield College, Oxford.
Baroness Castle of Blackburn.
Richard Harries, bishop of Oxford.
Jack Jones, president, National Pensioners Convention.
Peter Townsend, emeritus professor of social policy, University of Bristol.
Professor Alan Walker, University of Sheffield.
Wilfred Wood, bishop of Croydon, UK

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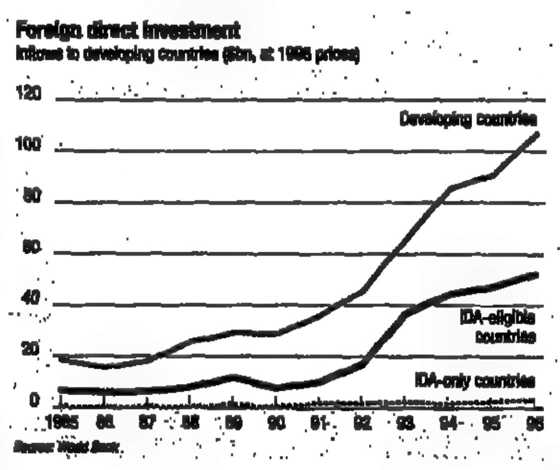
ECONOMICS NOTEBOOK ROBERT CHOTE

Aid geared to governance

The most important change in the way IDA operates will be the way policy performance is taken into account in determining access to loans

Industrial countries gave less in foreign aid as a proportion of their national incomes last year than at any time since comparable statistics were first collected in the 1950s. Against such a background, last week's agreement to replenish the finances of the World Bank's concessional lending arm is welcome.

Following nine months of negotiation, the International Development Association (IDA) should have more than $20bn to lend to poor countries over the next three fiscal years. Contributions from 39 donor countries will provide $11.6bn of this, with the rest coming from the repayment of earlier IDA loans and profits from the Bank's mainstream lending.



Source: World Bank

IDA was established in 1960 to provide loans to poorer developing countries that would place less strain on their balance of payments than the World Bank's standard lending terms. IDA loans have maturities of up to 40 years and carry no interest charges beyond a 0.75 per cent service charge. Over the past 38 years IDA has lent almost $108bn to 106 countries. Only countries with a per capita income less than $925 in 1996 are eligible to borrow.

Development ministry officials express satisfaction with IDA's 12th replenishment, but comparisons with earlier financing deals are difficult. In dollar terms IDA-12 is less valuable than IDA-11, but this reflects exchange rate changes. Measured in "special drawing rights" – the currency basket used by the IMF – there is a 13 per cent rise in resources, although this does not take account of inflation. The ultimate value of IDA-12 will also depend on the way exchange rates change over the next three years.

But at least the contributions promised by individual donors at last week's meeting in Copenhagen were sufficient to meet the overall target figure (assuming that contributions from the likes of Kuwait, Saudi Arabia and South Africa materialise as promised). Burden sharing between donors has been a sensitive issue as usual, but on this occasion it has been resolved without leaving the "structural gap" seen in previous replenishments.

Ireland and the UK are among the countries agreeing to increase their share of IDA contributions, while the Japanese share has fallen. But this partly reflects exchange rate changes. Japan has raised its contribution significantly in yen.

Some officials would have liked to see the $20.5bn total supplemented by a contingency reserve. This would help meet extra demand from countries that become entitled to borrow because of improved policy performance (perhaps Nigeria) or because they have become poorer (recently Indonesia). But by the time this proposal had been worked up, many donors had made budget submissions to their finance ministries and were reluctant to go back for more.

The IDA-12 negotiations have not been entirely devoted to money. Officials have also discussed what types of projects IDA should finance and what account should be taken of a country's policy track record in deciding how much to lend.

IDA's mission is "to support efficient and effective programmes to reduce poverty and improve the quality of life in the poorest member countries of the World Bank". To this end officials are looking for projects that deliver the biggest possible development return from scarce resources, within an environmentally sustainable framework and in ways that promote greater equality in the recipient countries.

Around 40 per cent of IDA-12 investment lending will be concentrated on social sectors, a share that has risen steadily over recent replenishments. The World Bank believes that investments in primary education, water, health services, nutrition and social protection are relatively effective ways to increase the productivity of the poor.

> 'Aid can be highly beneficial in countries with good policies but useless or counterproductive in those with bad policies'

Poverty reduction requires broad-based, sustainable economic growth. So IDA will also support macroeconomic and sectoral reforms that encourage the development of the private sector, including small businesses and farms. Lending is also supposed to be environmentally sensitive, for example promoting energy efficiency and increasing access to energy in rural areas.

But the most important change in the way IDA operates under the 12th replenishment will be the way policy performance is taken into account in determining access to loans. This emphasis reflects the World Bank's work on aid effectiveness, which has concluded that while aid can be highly beneficial in countries with good policies, it is often useless or even counterproductive in countries with bad policies.

Country performance assessments have been carried out annually since 1980, with some influence on access to IDA resources. But this link is to be strengthened with the development of a broader rating system known as Country Policy and Institutional Assessments. Measures of good governance will be given a much higher priority in this framework, with many examples around the world demonstrating how corruption has a disproportionately harmful effect on the poor.

Officials agreed at their meeting last week that lending to countries with weak governance should be scaled back or stopped entirely. The key elements are accountability (including effective auditing of government expenditure), transparency (in budget, regulation and procurement activities), consultation with civil society and a fair, predictable and stable legal framework.

Officials are well aware that making resources contingent on assessments of governance risks accusations of favouritism and political interference. To try to assuage these fears, the Bank is considering holding seminars to explain with case studies how these inevitably subjective judgments will be reached in practice.

The success of this approach will be important in determining not only future support for IDA, but for foreign aid more generally. It is now conventional wisdom that aid is beneficial only in good policy environments. But it remains to be seen how ruthlessly donors will be prepared to act on this conclusion.

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FINANCIAL TIMES

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Monday November 23 1998

The risks for world trade

Keeping world markets open and the international trade system functioning smoothly is essential to global economic recovery. Yet just when stability is most needed, it is being called into question by increasing strains, caused by slower world growth and big shifts in trade flows.

US and European steel makers are screaming for protection from cheap imports, particularly from Asia. The US is castigating Europe and Japan for restricting access to their markets, while last week a Pacific rim trade liberalisation initiative ended in acrimonious failure. To cap it all, the US and EU are at daggers drawn over trade in bananas.

So far, serious economic damage has been avoided. But the threats to free trade could increase next year, if growth slows sharply in the US, while its trade deficit mounts. That prospect is alarming Bill Clinton's administration. While enjoining the rest of the world against closing markets, it appears increasingly unsure about keeping its own open. Mr Clinton and his officials now say that unless other countries shape up, the US may turn protectionist.

The temperature seems set to rise as the US presidential election campaign gets under way. Vice-president Al Gore, the Democratic front-runner, is vulnerable to an economic slowdown and rivals' accusations that he is soft on foreigners. He also needs the support of protectionist-minded unions. His response is to talk tough on trade, in terms which recall Mr Clinton's tirades against Japan a few years ago.

Fortunately, US freedom to resort to unilateral trade measures has been curtailed by the World Trade Organisation's strengthened authority to enforce multilateral rules. That has deprived US threats of sanctions on unco-operative trade partners of much of their force. Washington has acknowledged as much by increasingly pursuing trade complaints in the WTO.

The US is also pressing for strict compliance with WTO rulings, notably in the case of the EU's banana regime. But its tough stance is a two-edged weapon. If a WTO ruling ever requires the US to change its laws, it will face equally strong pressure to comply. Yet it is far from certain that Congress, in its current mood, would oblige. Failure to do so could undermine the whole basis of WTO rules – an outcome no responsible government wants.

That danger makes it even more vital to reduce international trade tensions. One key is to recognise that many are unrelated to trade policy. Border barriers do not explain sluggish demand and low import absorption in continental Europe and Japan. A much more important reason is slow deregulation and restructuring of their economies.

Europe's cross-border merger wave suggests parts of industry may be rising to the challenge. The euro may add impetus. But the message has yet to get through to many European governments – in particular Germany's – and still eludes Japan.

US impatience at their failure to reform aggressively underlies much of the friction with its main trading partners. The longer they delay action, the greater the risk that US frustration will stoke up the pressure for protectionism.

Turkish dismay

The Turkish government seems set to lose a censure vote this week, and be forced to resign. That move could scarcely come at a worse moment for the country, and for its neighbours in Europe and the Middle East.

Although the political establishment is in disarray, the one thing that unites the country is a rising wave of nationalist anger. Public opinion is incensed at what is seen as European indifference, or downright hostility, towards Turkish national interests. To have a weak government in Ankara at such a moment, or no government at all, is profoundly destabilising. It should be a matter of concern to all Turkey's allies.

The immediate bone of contention is Italy's refusal to extradite Abdullah Ocalan, the Kurdish rebel leader, who is wanted on charges of terrorism and murder in Turkey. His release by an appeal court in Rome on Friday has reinforced a spreading trade boycott of Italian goods by Turkish consumers, and scarcely veiled threats of government retaliation.

The government in Ankara has also whipped up its dispute with international oil companies, including BP and Amoco, over their plans to export oil from the energy-rich Caspian region through the Black Sea, rather than by pipeline across the Turkish mainland. It is threatening sanctions against those companies if they do not back the Turkish option.

Both the trade boycott against Italy and the sanctions against BP are wrong-headed and counterproductive. As far as the oil companies are concerned, their opposition to a pipeline from the Caspian to Ceyhan, on Turkey's Mediterranean coast, is commercial. Turkey's interest in having the pipeline – strongly supported by the US – is strategic. If it is considered so vital, then surely the Turkish and US governments should be prepared to offer subsidies, to make the project commercially viable.

The Kurdish problem is much more intractable. Mr Ocalan is sought on charges of violence and terrorism not merely in Turkey but also in Germany. He is on Interpol's most-wanted list.

One solution would be for Germany to request extradition, and then put the Kurdish leader on trial for the offences of which he is accused there. It is understandable that Bonn is unwilling to import Turkey's internal struggle, but if Mr Ocalan is guilty of serious offences in Germany, he should be tried for them.

As for the Turkish government, it is essential that whoever is in power seeks to answer the genuine demands of the Kurdish people for more autonomy, and more economic development. A military solution is neither workable nor stable. That should be the clear and repeated message from Turkey's friends, in Europe, the US and the Middle East.

Pricey portrait

Van Gogh's Self-Portrait Without Beard may yet prove to be a snip for the buyer who laid out $71m on the picture at Christie's in New York last week. But what, one wonders, would poor Vincent have made of the extraordinary commerce in his *oeuvre*?

Before his untimely suicide, the number of Van Gogh's works to find a buyer could be counted on one hand. While they were admired by fellow artists, their worth was negligible. No sooner had he died than the value of his output began the long climb that culminated in the sale in 1990 of the Portrait of Dr Gachet for $82.5m – still the highest sum ever paid for a work of art.

Extreme scarcity had turned these paintings into what the economist Fred Hirsch once dubbed "positional" goods. By this he meant that rich people would pay millions for canvases that were devoid of intrinsic economic value simply to define and trumpet their relative sense of self-worth.

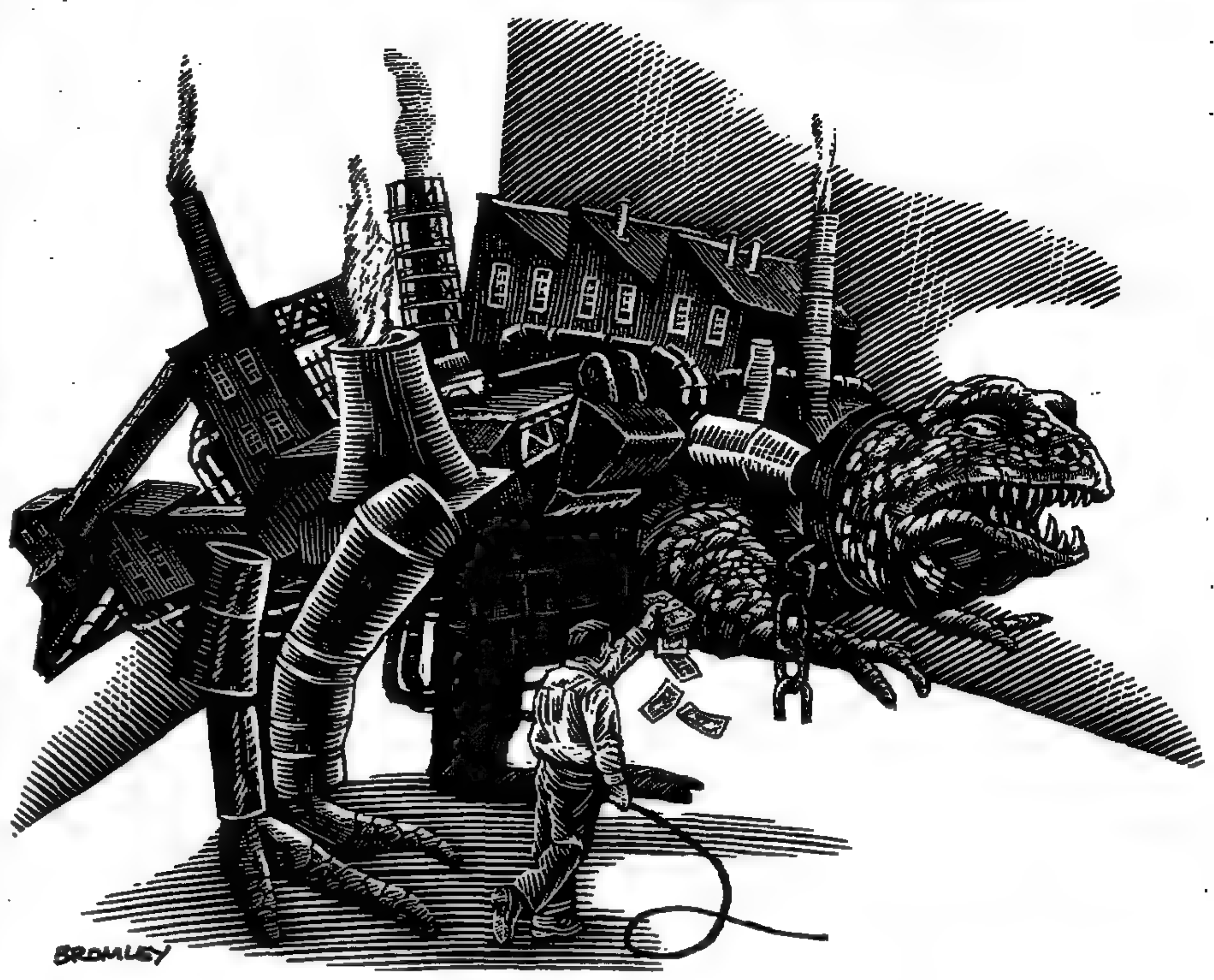
The trouble with such people is that their grasp of aesthetic value is sometimes greater (if sometimes not) than their sense of public spirit. Ryoei Saito, chairman of the Daishowa Paper Manufacturing Company and purchaser of Dr Gachet, wanted the painting cremated with him when he died.

Yasuda Fire & Marine Insurance, which spent $54m on some of Vincent's sunflowers, risks seeing a rather different kind of value destruction. Some experts claim the flowers are fake. Meantime Mr Saito's picture, though happily intact, is reported to have been sold off after his death to satisfy creditors. So Van Gogh, the artistic genius, has been reduced to the status of mere collateral.

At least he is in good company. Picasso's Les Noces de Pierrette, bought by a Japanese car parts company for $52m in 1989, has been put back on the art market in a job lot of 500 items of collateral for other dud loans. The price of artistic genius, it seems, is often a better guide to the state of the banking market than the aesthetic spirit of the age.

Boxed into a corner

South Korea's chaebol are fighting a stiff rearguard action against government reforms but the conglomerates are being forced to change their ways, says **John Burton**



"Dismantle the chaebol" was the slogan daubed in red paint by protesters recently on the walls of the Federation of Korean Industries, the lobby group for big business. It reflects mounting public fury over the refusal of the South Korea's biggest conglomerates, or *chaebol*, to restructure.

Such *chaebol* as Hyundai, Samsung and Daewoo were once hailed as the industrial engines that pulled Korea out of the mire of rural poverty and made it the world's 11th biggest economy. Now the expansion-mad conglomerates are being condemned for causing Korea's economic crisis that forced Seoul last December to seek a $58bn rescue package from the International Monetary Fund.

Although deep in debt with overcapacity in such industries as cars, steel, semiconductors and chemicals, the top five *chaebol* are making a stubborn last stand as they come under assault from the government, unions, the IMF/World Bank and foreign investors.

Many have argued that this last stand – evident in the continued expansion of the conglomerates by various means from mergers and acquisitions to new rights issues – means the *chaebol* are succeeding in resisting reform. They may well be trying, but they are not succeeding. "The *chaebol* are being driven into a corner," says Kim Hun-soo, research head at Merrill Lynch in Seoul.

Previous governments promised to reform the *chaebol*, and did little. But Kim Dae-jung, Korea's reformist president, regards them as the relics of an authoritarian economic system that is out of step with Korea's liberal democracy.

His goal is to transform the *chaebol* into internationally competitive companies which focus on core businesses and profits rather than market share and empire building.

Mr Kim has made some progress in his battle with the corporate oligarchs by weakening sources of their support. The government has wrested control of parliament from the former ruling Grand National party, which was heavily financed by *chaebol* contributions and blocked reform legislation. Most of the troubled big banks that once provided the *chaebol* with cheap capital have been nationalised in a bail-out programme.

That has left the big *chaebol* vulnerable since they must service large debts during a severe recession, with the economy expected to shrink by 7 per cent this year. Government officials claim the *chaebol* will have to reform as credit conditions tighten. "We will see great changes a year from now," promises Lee Kyu-sung, the finance minister.

Nonetheless, the unrepentant *chaebol* are ignoring government warnings by continuing to expand in the belief that they are too big to fail. Hyundai, the biggest of all, recently bought bankrupt carmaker Kia for $2.4bn and promised to invest at least $1bn in North Korea despite having a debt burden that is nearly six times equity.

Moreover, the groups are building up cash reserves to withstand a credit squeeze. They have dominated borrowings in the bond market and plan to raise more capital through rights issues as poor credit ratings have reduced their ability to borrow abroad.

"The *chaebol* are playing a game of brinkmanship with us," says one government official.

The government is striking back. It recently limited *chaebol* bond issues by restricting the amount bought by institutional investors.

The *chaebol* are also being forced to unwind cross-debt guarantees among subsidiaries by early 2000 and are being required to produce transparent financial statements that are likely to reveal even bigger debt burdens than claimed.

The government's ultimate weapon is its control of the newly-nationalised big banks and the ability to cut off credit if it chooses. "The government has no intention to play a coercive role in forcing the break-up of the *chaebol*. We will leave it up to creditors and institutional investors to force reforms," says Mr Lee.

That statement is a touch disingenuous. The government is pressing the *chaebol* to merge troubled businesses in such areas as memory chips, petrochemicals and aerospace by threatening to cut bank credit.

It is also imposing tougher conditions on loans the banks have generously extended to the *chaebol* in the belief they are the safest borrowers because of their size. Foreign advisers are being hired by the banks to improve credit analysis.

The *chaebol* will have to submit detailed restructuring programmes by next month and reduce debt burdens to two times equity by the end of 1999 to obtain bank credit.

Some weaker, second-tier *chaebol* are already selling assets to foreign investors because of difficulties in getting new loans. Ssangyong, which was Korea's sixth biggest *chaebol* a year ago, is being dismembered as it seeks buyers for its core cement and oil refining operations to avoid bankruptcy.

A Norwegian-Canadian consortium bought two-thirds of Korea's biggest papermaker Hansol for $1bn, while Belgium's Interbrew acquired half of a leading brewery from Doosan. Such deals are opening Korea's protected market, which benefited the *chaebol*, to foreign competition.

Some analysts are still critical about the pace of *chaebol* reform and the government's preference to support troubled companies through a "workout" programme of debt rescheduling rather than liquidating them.

'For the government to dismantle the chaebol too quickly would have disastrous results for the economy. The chaebol's problems have taken years to pile up. They can't be solved immediately'

Although the idea is to save the viable operations of failed business groups, "the result has been to keep lame-duck companies afloat.

This has met the government's aim of preventing bankruptcies from rising alarmingly, but is not in the long-term interest of the banks which are throwing good money after bad," says Barclays Capital.

But other analysts believe the government has little choice. "For the government to dismantle the *chaebol* too quickly would have disastrous results for the economy. The *chaebol's* problems have taken years to pile up. They can't be solved immediately," says Cho Yong-doo, a lecturer on Korean business at the University of Sheffield in the UK.

One proposal being discussed by some senior officials is for the banks to conduct debt-for-equity swaps that would remove management control from the *chaebol's* family owners who make the key decisions. "Foreign investors would welcome such a move. If (the *chaebol* owners) were running companies in the West, they would have been thrown out by shareholders long ago," said one UK fund manager.

The government is quietly supporting minority shareholder rights groups, such as one led by Jang Ha-sung, a professor of finance at Korea University, who is targeting *chaebol* owners with class action suits. In his latest lawsuit, Mr Jang is demanding that Lee Kun-hee, the Samsung chairman, and other top executives should personally reimburse $230m to the group for allegedly using corporate funds secretly to subsidise troubled businesses, such as Samsung Motors.

Mr Jang has already won a landmark case against executives of failed Korea First Bank for mismanagement and succeeded in stopping SK Telecom, Korea's biggest mobile telephone operator, from supporting unprofitable units of the SK group by appointing outsiders to the company's board of directors.

"What Professor Jang is doing is having important implications for *chaebol* reform. He is conducting a surgical strike on the *chaebol* leadership," said one finance ministry official.

There are also signs of unrest among senior professional managers at the *chaebol* against family owners. The refusal of Samsung to bid aggressively for Kia in a recent auction won by Hyundai is seen as a victory for Samsung executives who privately opposed the car ambitions of the group's chairman as wasteful.

"Of the top five *chaebol*, Samsung is making the greatest strides in corporate restructuring. Its only remaining obstacle is Samsung Motors, which we believe will be resolved next year," says Bill Hunsaker, research head at ING Barings in Seoul.

Officials vow to keep up the pressure on the *chaebol* since the government itself is under growing pressure from the unions for corporate changes. "Why should only labourers and the public suffer the pain?," says Lee Kap-yong, head of the militant Korean Confederation of Trade Unions, at a recently rally demanding punishment for *chaebol* leaders.

Corporate reform remains unfinished. Assets still need to be sold, debts reduced, surplus factories scrapped and the big-is-better management mindset changed. But there is a new sense of optimism that the goals will be achieved. Henry Morris, a Seoul business consultant, says: "The chaebol are fighting a stiff rearguard action, but they are losing the war."

OBSERVER

Liechtenstein hits the jackpot

It was only a matter of time before lottery mania went global. Last week saw the launch of Millions2000, billed by its organisers as "the biggest draw on earth", with a plan to create 2,000 dollar millionaires on the first day of the new millennium.

But there's a long way to go if Millions2000 is to hit its ambitious targets. For one thing, the organisers have to sell 465m tickets at $10 each – which works out at one ticket for every 13 people on earth.

Based in Liechtenstein, Millions2000 has yet to secure licences from any other country to sell tickets direct, though countries such as the UK and the Netherlands are considering the idea. In the meantime, ticket sales are being conducted through the internet – unless you happen to reside in Switzerland, which will not even permit access to the Millions2000 site.

The organisers, led by UK-based Electronic Fundraising Company, which already runs internet lotto games, appear undaunted. They reckon it is a selling point that only 10 per cent of the cash raised from ticket sales will go on expenses. About half is being returned in prizes and roughly $1bn will go to the Millennium Fund, a humanitarian foundation linked to the Geneva-based International Federation of Red Cross and Red Crescent Societies.

Mind you, little Liechtenstein, home to 31,500 wealthy residents, should also do well. It is a condition of Millions2000's licence that 15 per cent of the cash flows to charities in a principality better known for Porsches then paupers.

Bourse course

Sofia's sleepy stock exchange is waking up after the abrupt departure of its boss, Victor Papazov. Local brokers say he was the latest victim in the feud between Ivan Kostov, Bulgaria's pro-market prime minister, and Multigroup, the shadowy holding company which used to be more powerful than the government.

Kostov has already kicked Multigroup out of the gas importing business and cracked down on its commodity trading arm. The departure from the bourse of Papazov, an ally of Multigroup boss Ilir Pavlov, looks like another blow.

But what's bad for Multigroup could be good news for the Bulgarian economy. The stock market attracted only a couple of full listings during Papazov's tenure. Since new chairman Georgi Prohasky took over a few weeks ago, things have livened up: half-a-dozen privatisation funds have been listed and another 20 companies are due to start trading by the end of the year.

New man Prohasky has also won a mandate to shift the bourse from a scruffy tower block – home to Bulgaria's trade union federation in communist days – to a smart new building overlooking Sofia's central square. Sounds like a real emerging market.

Grain of truth

Tough times at Japan's scandal-battered *Okurasho*, the finance ministry. First those upstarts at Moody's Investors Service decide that Japan's credit rating really isn't in the top tier after all. Now meddlesome politicians in Tokyo have the cheek to be wondering aloud whether the once-mighty ministry should be renamed: top of the list of suggested titles is *Zaimusho*, or budget department.

The rationale for the change is simple. The finance ministry is due to lose control over the financial system, becoming more like the US Treasury. Indeed, the argument runs, rebranding might even help the ministry forge a new image after the run of recent scandals.

Finance ministry bureaucrats are none too pleased with the idea. They say a name change would represent a waste of time and resources – and lose a little piece of history. The government has had an *Okurasho* (literally meaning "big storehouse") for five centuries: it was founded to store rice.

But there is a way for the finance ministry to stay in touch with its ancient roots while acknowledging its now-diminished status. Wags in high places suggest calling the finance ministry the *Ko-kurasho* – the little warehouse.

Kuala bare

The APEC summit in Kuala Lumpur was long on rancour and short on reverie. But Joseph Estrada, now strutting the world stage as Philippine president, made the best of it despite all the economic gloom. According to accounts circulating in Manila, the quick-witted former movie star told the following story at an otherwise downbeat Malay-Philippine business dinner.

During the summit Al Gore approached Estrada to discuss a confidential problem. "I brought 50 security people with me," said the US vice-president in hushed tones, "and I don't know which of them is an assassin."

Overhearing Gore's dilemma, Chinese president Jiang Zemin sidled over and joined the discussion. "I have the same problem," he confided. "I have 60 security people with me – and I just don't know which of them is a spy."

Estrada was unimpressed. "Gentlemen, I think my problem is more serious," he replied. "I have 100 economists with me. And I don't know which of them is right."

The Financial Times

100 years ago

Transvaal Rebellion
Pretoria, Nov. 22nd. Sakamela, brother of Mpefu, the rebel chief, surrendered yesterday along with many followers. Mpefu is reported to have fled to Ramsputa, and the commandos have left Magatoberg, and are now surrounding that stronghold. The rebels are completely disorganised, and it is expected that the campaign will soon terminate. The country will then be laid out and occupied by Boer farmers.

50 years ago

Uranium Ore In Canada
Montreal, Nov. 22. Further discoveries of uranium ore, the latest at the mouth of the Agawa River about 100 miles north of Sault Ste. Marie, Ontario, has led Mr. Abbott, Minister of Finance, to comment: "It is a state secret how much uranium has been found in recent discoveries, but I can say that it is a very substantial amount."

Canada Gold Sales
Toronto, Nov. 22. Canada was the largest seller of gold to the U.S. in 1945-47, during which her exports were valued at 22 per cent of U.S. purchases totalling $3 billions.

FINANCIAL TIMES
MONDAY NOVEMBER 23 1998

THE LEX COLUMN

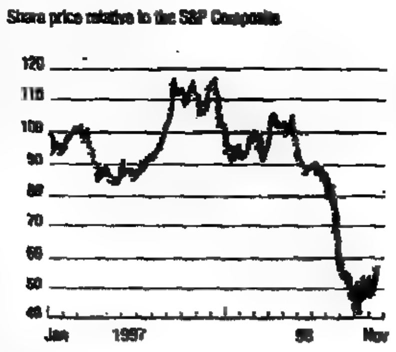
Taking a lot on Trust

The prospect of Deutsche Bank buying Bankers Trust is jaw-dropping. The German bank's previous attempt to construct a top-class investment bank – by welding together its own operation, hundreds of expensive outside hires and Morgan Grenfell – came to grief. Why then would it want to graft on yet another culture, particularly since Bankers Trust has a chequered history of its own?

The charitable answer is that Deutsche's investment banking strategy still makes sense on paper. It has a strong corporate client base which is increasingly demanding high-level advisory services. If Deutsche cannot meet these needs, customers could switch their business elsewhere. Moreover, though Bankers Trust's share price has bounced in the past month, it is not nearly as pricey as it was earlier in the year.

The snag is that Bankers Trust is also relatively weak in the advisory business. Add to that Deutsche's previous record of failure and the purchase will clearly be risky for the bank's shareholders. There has, of course, recently been a change in Deutsche's management. In particular, Joseph Ackerman seems to be running the corporate and investment banking division with more determination than was so before. But, to win over the sceptics, Deutsche will need to give a convincing demonstration that it really has changed its spots.

Bankers Trust
Share price relative to the S&P Composite



Source: Reuters

Markets/liquidity

When the US Federal Reserve cut rates last week, it said unusual strains remained in financial markets. But what exactly was this Delphic utterance referring to? Clearly not the stock markets, which are storming ahead. Nor, presumably, the bond markets, which have reopened even to junk. The best candidate for the Fed's jitters is probably money market liquidity, which has recovered in recent weeks but not to normal levels.

If this is Alan Greenspan's concern, what is his game plan? Perhaps he is creating a breathing space for the financial system, which is sitting on a mountain of short-term liabilities, to switch to longer-term borrowing. There is, indeed, anecdotal evidence that this is happening. For example, one US investment bank has recently cut its commercial paper (typically one-to-three month debt) from about \$40bn to \$20bn. So at least some institutions are learning the big lesson from the financial crises of the last year and a half: do not rely excessively on short-term borrowing because it might not be rolled over.

There is, though, a niggling worry: the pain in the western banking system may not have been severe enough for everybody to learn this lesson. In fact, by cutting interest rates, Mr Greenspan has enhanced the attraction of short-term funding – while at the same time pumping up already inflated equity prices. All this puts the Fed in an awkward position: if it raises rates, the bubble will burst; but when it cuts, the bubble gets bigger. Markets seem to know no middle ground between exuberance and despair.

German buybacks

And they're off. After years of frustration, the remaining obstacles to German share buybacks are being lifted. Although buybacks have been legal since the summer and more than 50 companies have sought shareholder approval, uncertainty over tax treatment has stalled moves to tighten up flabby balance sheets. Within the next month, however, the favourable tax plan drafted during the Kohl era, which has been backed by the new government, is likely to be approved by the states.

This would allow buybacks to be treated as capital gains rather than as dividend distributions, which are taxed at much higher personal income tax rates. Indeed, investors who have held shares for more than six months will receive any gains tax-free, although there is a risk this time limit will be extended to one year. Despite this residual uncertainty, Schering, a pharmaceutical company, has set its own DM500m buyback programme in motion, and has been rewarded with a hike in its share price.

Buybacks are not a panacea for enhancing shareholder value. In the current economic climate there is something to be said for conservative balance sheets. But given the large number of overcapitalised banks, insurers, and utilities, buybacks should soon become a common feature of the German landscape.

Monsanto

Monsanto's shareholders have had to school themselves in patience. Since its merger with American Home Products collapsed a month ago, the life sciences group has revealed problems with one of its drug candidates and postponed a \$2.5bn bond issue. The shares have lost a third of their value in four weeks.

There is plenty of potential in Monsanto. An \$8bn acquisition spree over the past three years has transformed the former chemicals group into a leader in plant genetics. Meanwhile, a refocusing of Searle, its pharmaceutical arm, has produced one of the industry's most promising drug pipelines, including a potential blockbuster in Celebrex, an arthritis treatment. The snag is financing this embarrassment of riches. Monsanto does not expect the acquisitions, taken as a whole, to cover its cost of capital until 2002. And launching new drugs will require lots of extra spending.

That is why AHP's deep pockets would have been so welcome and why the bond issue, part of a \$5bn cash-raising plan – also including \$1bn of equity and disposals – has become so important. Without either, the group's debt to capital ratio would rise to nearly 70 per cent. That makes the shares an intriguing gamble. If Monsanto gets its money and some breathing space to knit its new collection of assets together, it could produce tremendous growth beyond 2000. But investors will have to show even more patience until then.

Strong words mask US uncertainty over N Korea

Clinton faces conflicting pressures over rising crisis, writes Gerard Baker in Seoul

A few rugged miles from where US forces first engaged communist troops in the Korean war nearly half a century ago, President Bill Clinton yesterday issued a new warning to the unpredictable regime to the north.

Sporting an aviator jacket and a cap festooned with the insignia of US forces in Korea, Mr Clinton told air force and army servicemen and women at the Osan Air Force base that North Korea must move to ease the growing tension in the region.

"North Korea must maintain its freeze on and move ahead to dismantle its nuclear weapons programme, as it has agreed to do," he said.

"Until it fully commits itself to a constructive role on this peninsula we must remain ready."

But Mr Clinton's strong words masked US uncertainty about how to deal with the escalating crisis. Two incidents in North Korea in the past few months – the launch of a missile over Japan and the discovery of a suspicious "hole in the ground" that might be used for nuclear purposes – have put US policy to the test.

The renewed tensions dominated discussion between Mr Clinton and President Kim Dae Jong of South Korea this weekend, as both men affirmed their determination to face down Pyongyang.

But the Clinton administration is caught between conflicting pressures. At home in Congress, Republicans and some Democrats fear the administration is being too soft, failing to enforce the 1994 Agreed Framework under which North Korea agreed to stop developing plutonium with possible weapons potential in exchange for energy assistance.

But South Korea's President Kim, elected a year ago and committed to pursuing his "sunshine" diplomacy, has sought closer ties with his northern neighbour, and is clearly discomfited by the latest developments.

The missile firing over Japan in August was troubling enough, but it has been eclipsed in recent weeks by the concern over the "hole".

Last week a special US envoy sent to discuss the problem with Pyongyang, first said there was "compelling evidence" of nuclear activity, but was then forced to retract his statement.

Critics in Washington suspect the site is a breach of the Agreed Framework. They believe the administration is stalling for fear of complicating relations with Seoul.

North Korea still desperately needs money, but fears that moves to open up to foreign trade and instability risk destabilising the monolithic regime. The concern among critics is that Pyongyang is instead seeking to exploit South Korea's overtures to extract something from the US.

These concerns increased when the North Koreans demanded a \$300m fee in return for opening the site to inspection. US officials this weekend laughed off any suggestion they would pay.

Sandy Berger, national security adviser, insisted North Korea grant access to the site and said the US would get tough if it did not. But Mr Berger also seemed keen to play down the incident. He said it would be "premature" to conclude the suspicious hole was nuclear-related. He shared the view of Mr Kim that there have been positive developments in North Korea.

Mr Berger said: "This is a very complicated regime with a very complicated leadership picture. I don't think you're going to see a clear picture for some time of which way North Korea goes."

Mr Clinton stressed that the US was as eager to encourage the positive signs – such as last week's resumption of cruise ship tours from south to north – as it was to warn against negative indications of Pyongyang's intent.

Six die in Indonesian capital as riots take on religious dimension

By Sander Thoenes in Jakarta

At least six people died and 30 were wounded in Jakarta yesterday as the latest riots to hit Indonesia's capital took on a religious dimension.

Crowds of Moslems killed and mutilated five Catholics from the Indonesian island of Ambon, after accusing them of killing one Moslem. Mobs tore through northern Jakarta yesterday, torching churches, attacking Christian schools and looting shops.

The bloody strife reflects long simmering ethnic and religious tensions in Indonesia. The tensions had been largely suppressed during the iron-fisted 32-year rule of former president Suharto who quit in May during bloody rioting that killed more than 1,200 people.

In recent weeks there have been almost daily protests and frequent clashes, fuelled by popular frustration and economic hardship. Crowds looted shops last week, inspired the day before by street battles between protesters, government supporters and the military. One more student died yesterday, from bullet wounds sustained during those clashes, which left 17 dead.

Fighting yesterday started after Moslems demanded that Ambonese guards shut down a nearby gambling hall while their religious service was being held. When the guards refused, Moslems burned the hall and a church.

Some rioters shouted anti-Chinese slogans and looted shops owned by ethnic Chinese, risking a repeat of last week's looting or the May riots. The Ambonese minority in Jakarta is smaller than the Chinese community.

General Wiranto, chief commander of the armed forces, conceded yesterday that his soldiers had made mistakes in handling the student protests and promised an investigation, but he has ignored student protests calling for his resignation. Most student groups have focused on pushing the military out of politics, though an increasing number also want President B.J. Habibie and his government replaced.

Yesterday's religious violence raises fears of continuing unrest preceding parliamentary elections, planned for May or June. More than 100 parties have registered, at least 20 are running on an exclusively Islamic platform.

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A Russian man salutes murdered liberal MP Galina Starovoitova, as politicians expressed anger and made accusations. Page 2 — Reuters

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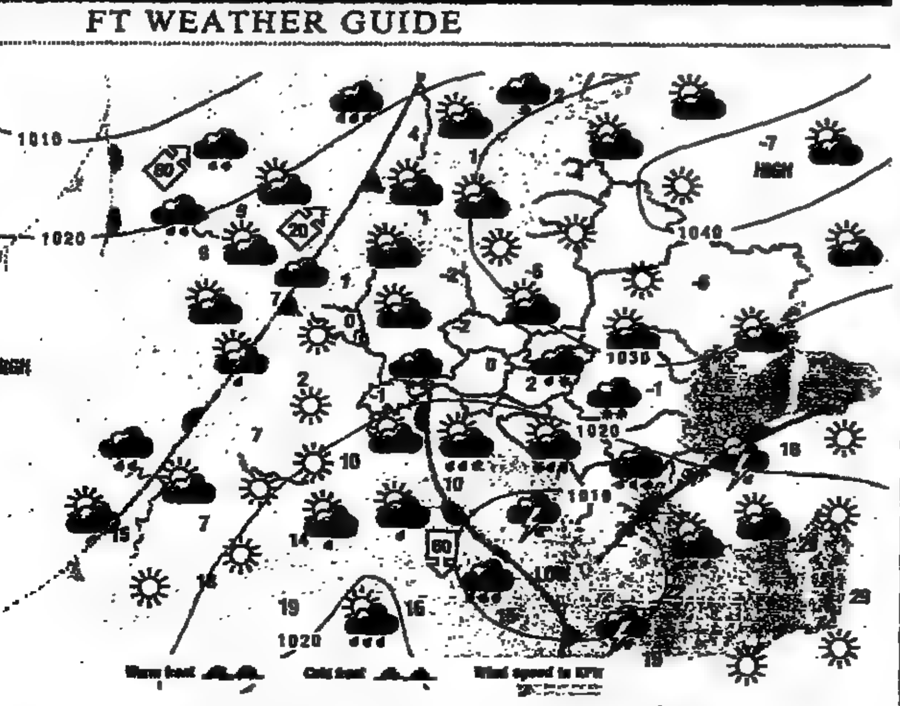
FT WEATHER GUIDE

Europe today

High pressure will ensure that much of central and eastern Europe will continue dry and sunny though very cold, with many places struggling to rise above freezing. Across northern and western Scandinavia a frontal system will bring rain and snow. North-west France and western parts of the Iberian peninsula will have showers. The Mediterranean coasts of Spain and France will be mainly dry and sunny, but the central Mediterranean will have heavy downpours, falling as snow in the colder air to the north-west of the Black Sea.

Five-day forecast

The central Mediterranean will stay unsettled with downpours on Wednesday and Thursday. Heavy rain will extend across the British Isles, moving across France on Wednesday. Rain and snow will move into Scandinavia, but pressure will stay high across much of central and eastern Europe.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

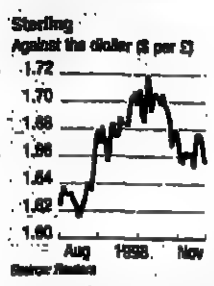
		Maximum Celsius
Abu Dhabi	Sun	29
Accra	Fair	32
Algiers	Fair	19
Amsterdam	Sun	1
Athens	Thunder	20
Atlanta	Shower	20
B. Aires	Sun	26
B.ham	Fair	7
Bangkok	Fair	31
Barcelona	Fair	10
Beijing	Rain	5
Belfast	Fair	8
Belgrade	Sleet	0
Berlin	Cloudy	-2
Bermuda	Fair	23
Bogota	Thunder	19
Bombay	Sun	33
Brussels	Sun	0
Budapest	Sleet	2
C.hagen	Fair	1
Cairo	Sun	27
Caracas	Fair	30
Cardiff	Fair	8
Casablanca	Fair	18
Chicago	Fair	15
Cologne	Fair	0
Dakar	Fair	31
Dallas	Fair	24
Delhi	Sun	27
Dubai	Sun	31
Dublin	Fair	9
Dubrovnik	Fair	12
Edinburgh	Fair	8
Faro	Sun	17
Frankfurt	Cloudy	2
Geneva	Sun	-1
Gibraltar	Fair	18
Glasgow	Shower	9
Hamburg	Fair	-1
Helsinki	Snow	2
Hong Kong	Fair	20
Honolulu	Fair	29
Istanbul	Rain	16
Jakarta	Drzzl	32
Jersey	Fair	7
Johannesburg	Cloudy	26
Karachi	Sun	32
Kuwait	Cloudy	28
L. Angeles	Fair	21
Las Palmas	Fair	22
Lima	Fair	22
Lisbon	Shower	15
London	Cloudy	7
Lux.bourg	Fair	0
Lyon	Sun	1
Madeira	Fair	21
Madrid	Fair	7
Majorca	Fair	14
Malta	Rain	16
Manchester	Fair	8
Manila	Rain	30
Melbourne	Fair	22
Mexico City	Fair	23
Miami	Fair	28
Milan	Fair	8
Montreal	Shower	11
Moscow	Fair	-7
Munich	Snow	-1
Nairobi	Cloudy	24
Naples	Shower	12
Nassau	Sun	28
New York	Fair	16
Nice	Sun	10
Nicosia	Sun	26
Oslo	Rain	4
Paris	Sun	2
Perth	Fair	26
Prague	Fair	-2
Rangoon	Cloudy	30
Reykjavik	Rain	6
Rio	Cloudy	25
Rome	Shower	10
S. Frsco	Rain	16
Seoul	Fair	7
Singapore	Thunder	32
Stockholm	Fair	1
Strasbourg	Fair	-1
Sydney	Fair	24
Tangier	Fair	17
Tel Aviv	Sun	29
Tokyo	Cloudy	16
Toronto	Shower	13
Vancouver	Rain	11
Venice	Cloudy	8
Vienna	Sun	0
Warsaw	Sun	-5
Washington	Fair	17
Wellington	Fair	17
Winnipeg	Fair	14
Zurich	Cloudy	1

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1998 MONDAY NOVEMBER 23 1998 Week 48

INSIDE

Dow returns to near-record heights
The Dow Jones Industrial Average surged again on Friday, ending the day 103.50 points ahead at 9,159.55. At that level, it was a whisker below its record closing high of 9,190.19 on July 21 – and the question this week is: how *much higher can it go?* But some analysts are predicting a fall bigger than that suffered in late July and August. **Markets Week, Page 25**

US and UK economies in step



This week should show whether the US and UK economies continue to display their tendency to move in synchronised cycles, which has contributed to relative stability in "cable" compared with other cross-rates. The second estimate of gross domestic product growth in the US is expected to be revised up from the 3.3 per cent annualised growth rate. British business releases a key survey. **Currencies, Page 26**

SE Asian bond market picks up
Local bond markets in south-east Asia are slowly picking up. This is not a sign of economic recovery in the region but does confirm that governments are using local debt markets to meet some of the costs of the crisis, such as huge budget deficits and costly financial system restructurings. **International Bonds, Page 22**

Colombo looks to domestic investors
It is not only Sri Lankan speculators but the Colombo stock exchange itself that is taking a gamble. For as the bourse heads for uncertain times, it is embarking on expansion. The tiny Colombo exchange is to open its first branch outside the capital in an attempt to attract rural investors and reduce its dependency on foreign investors, who have been leaving in droves. **Emerging Markets, Page 23**

Slowdown worries European bourses
Signs of slowing economic growth remain the main concern for European investors, despite the rally in share prices at the end of last week. Weak French industrial production figures, which followed a downbeat Ifo survey of German business confidence, point to a slowdown from the buoyant picture of growth that was emerging earlier. **Euro Prices, Page 27**

EMI desperately seeking a suitor
Investors have been braced for a ghastly set of interim results from EMI since September, when Sir Colin Southgate, the UK music group's chairman, issued a profits warning. But even though they will discover tomorrow exactly how grim the figures are, the chief concern of EMI's shareholders is whether the group will finally be the *subject* of a bid. **Page 20**

Sober time for Siebe stock
Siebe, the international engineering group, has largely lost the 10 per cent sales growth rate that earned the stock its premium rating, and interim results today are not expected to regain that high ground. **Companies Diary, Page 25**

FT GUIDE TO THE WEEK

– full listings Page 36

CRUDE FACTS FOR OPEC
Oil ministers from the Organisation of Petroleum Exporting Countries meet in Vienna on Tuesday against a backdrop of low prices. Opec countries stand to see their petroleum revenues fall by about a third this year.
PINOCHET EXTRADITION VERDICT
The UK House of Lords, acting as the country's highest court, will rule on the extradition to Spain of former Chilean dictator Augusto Pinochet on his 83rd birthday on Wednesday.
WTO HEARS BANANA COMPLAINT
The US threat of trade retaliation against the European Union in their banana war will be raised by Brussels at a meeting on Wednesday of the World Trade Organisation's dispute settlement body.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

EdF seeks knock-out blow in bid

French group in £2bn unconditional offer for London Electricity

By Andrew Taylor, Utilities Correspondent

Electricité de France has made an unconditional cash offer of more than £2bn ($3.3bn) for London Electricity in a bid to overcome potential competition and regulatory concerns and see off a rival offer from British Energy.

The French state-owned power monopoly is now favourite to buy London from Entergy, its US owner. Entergy, which needs cash to reduce its borrowings, has been concerned that any deal should not be delayed by competition or regulatory issues.

EdF, by making its offer unconditional, is taking the risk that European Union or British authorities may want to investigate its purchase of London. The French group would also have to abide by any subsequent ruling ordering it to sell all or part of London's supply and distribution businesses.

PowerGen, the UK's second largest fossil fuel generator, took a similar route this summer when it made an unconditional offer of £1.9bn to buy East Midlands, the country's third largest electricity supplier, from Dominion of the US. Peter Mandelson, the UK trade and industry secretary, said the sale could proceed provided PowerGen sold 4,000MW of its coal generation capacity. He overruled the Office of Fair Trading, which wanted a monopolies investigation into the sale.

Mr Mandelson wants power station disposals to encourage competition and reduce the price-setting power of large fossil fuel generators, while more electricity trading arrangements are introduced. He has criticised arrangements that have allowed EdF to transmit cut-price electricity to the UK at the expense of coal-fired generation.

EdF argues that European competition rules require large cross border bids, on the scale of its offer for London, to be vetted by the European Commission rather than the British authorities. It has increased its cash offer to more than £2bn while British Energy is thought to have offered just under £2bn.

The French group's decision to make its offer unconditional will be difficult for Entergy to refuse. The US group so far has declined to be swayed by EdF's cash or arguments that its bid is unlikely to fall foul of competition authorities.

National Power, Britain's largest fossil fuel generator, is this week expected to announce sales of some of its coal-fired power stations and a possible alliance with another regional electricity supplier.

Guardian Royal Exchange in talks on takeover

By Andrew Bolger, in London

Guardian Royal Exchange, the UK composite insurer long seen as most vulnerable to takeover, is in talks with several parties over the sale of all or parts of its business.

The sale of GRE, which is likely to fetch more than £3bn *($5bn) would continue the* wave of consolidation that has been sweeping the European insurance market, with larger groups swallowing up weaker competitors.

Possible purchasers include France's Axa group, which already has a controlling stake in Sun Life & Provincial, the UK life assurance company. GRE's general insurance arms in their home territories might also attract Germany's Allianz and AIG from the US.

GRE declined to comment yesterday, but is expected to make a statement to the stock exchange today. It has appointed Morgan Stanley Dean Witter, the US investment bank, to handle the possible sale after receiving what was deemed a particularly serious approach.

GRE's shares closed on Friday at 308p, valuing the group at about £2.7bn – well down on February's peak of 495p, when the group was worth £4.4bn.

Its roots go back to 1720, when Royal Exchange Assurance was established by royal charter. However, it has been dwarfed in recent years by the merger between Royal Insurance and Sun Alliance, which created Royal & Sun Alliance, and the deal between Commercial Union and General Accident, which produced CGU.

Analysts have complained that GRE, the smallest of the UK composite insurers, lacks critical mass in its markets and the group's long history has left it spread across a range of countries and niches.

Only about a fifth of the group's premium income comes from life assurance and asset management, areas that are expected to grow in western Europe as welfare state provision diminishes.

The sale of GRE would be a great disappointment to John Robins, chief executive, who has insisted it had an independent future.

Comment, Page 20

Demand fuels success of BNL flotation

Privatisation raises $4.6bn for Italy

By Paul Betts in Milan

Heavy retail and institutional demand for Banca Nazionale del Lavoro shares turned the privatisation of Italy's last significant state-sector commercial bank into a weekend success for the government.

Its privatisation gamble, which will raise L7,732bn ($4.65bn) for the state coffers, paid off in spite of volatile market conditions.

Carlo Azeglio Ciampi, the economy minister, said the sale of the government's entire 85 per cent stake in the bank was "one of the most important made in Europe in the past few years at a time when financial market conditions were not at their best".

The retail offer was six times subscribed while the institutional offer was three times subscribed. To satisfy part of the excess retail demand (2.6bn shares were ordered out of an original offer of 450m), the retail offer has been increased to 662m shares. The institutional offer has been reduced from 500m shares to 453m shares – including the 143m shares set aside for the "green shoe" option in the event of oversubscription.

The move reflects the Treasury's policy of encouraging Italian small savers to invest more in equity markets.

The price of shares in the retail offer was set on Saturday at L4,550 while the price for institutions was L4,700 a share. The three new core shareholders of the bank – Spain's Banco Bilbao y Vizcaya (10 per cent), Banca Popolare Vicentina (7.75 per cent) and the Italian Ina insurer (7.25 per cent) – will pay L4,888 a share for their holdings.

The flotation is expected to be followed by the merger of BNL and Banco di Napoli. BNL and Ina already control Banco di Napoli through a joint holding company.

The flotation brings the total raised by the Italian government from privatisations this year to L19,700bn. In the past four years, the government has sold off L62,000bn worth of state assets.

The success of the BNL sell-off, which was piloted by its chief executive Davide Croff, is expected to give fresh impetus to Italy's privatisation programme, including the sale of its 54 per cent stake in Aeroporti di Roma, the airports operator; Autostrade, the motorway group; Alitalia, the state airline; and maybe Enel, the state electricity company. The imminent sale of Aeroporti di Roma is already generating intense competition among rival private groups interested in acquiring control of the Rome airports operator.

BNL's successful sale was hailed by economy minister Carlo Ciampi, left, and BNL chief Davide Croff AP

US and UK pension funds form alliance

By Jane Martinson, Investment correspondent

Company managements on both sides of the Atlantic will face renewed shareholder pressure when two of the largest institutional investors in the US and the UK join forces in a bid to improve corporate governance in both countries.

Calpers, the largest US pension fund, and Hermes, which is owned by the UK's largest pension fund, will today announce an agreement to pool resources with the aim of turning round under-performing companies on both sides of the Atlantic. The alliance, which brings together two groups with combined assets under management of $198bn, is the first of its kind in the world.

Kayla Gillan, general counsel for Calpers, said the partnership reflected the increasing importance of international investing for institutions. Both groups have taken leading roles in the corporate governance debates in the US and UK but "we wanted to do internationally what each of us is doing domestically".

Peter Butler, corporate focus director at Hermes, said: "We take share ownership very seriously. We have the same responsibilities for overseas investments but they are much smaller and it's more difficult to justify the workload involved to our trustees."

Calpers, which has assets under management of $139bn, has increased its international investments from 12 per cent of total assets to 20 per cent in the past three years. Its current UK investments are valued at $5.9bn.

Hermes, which manages assets of $59bn, has $3.4bn invested in the US.

If successful, other investors around the world could be invited to join the alliance. Ms Gillan said: "I would like to see this alliance repeated in all the major markets in the world". However, both sides admitted this could take some time given the fledgling nature of corporate governance networks outside the US and UK.

Hermes will represent Calpers when voting on UK company issues and vice versa. Both sides will also work on joint action plans over issues such as executive pay and pre-emption rights.

Both fund managers largely track indices rather than actively choosing investments. Hermes holds just over 1 per cent of the entire UK equity market and invests in 1,000 UK companies, while Calpers owns just under 1 per cent of the US equity market and invests in 1,600 US companies.

PAUL ABRAHAMS
GLOBAL INVESTOR

Buy . . . but not just yet

Barton Biggs, Morgan Stanley's celebrated strategist, who this month announced it was time to buy Japan, is famous for his bold strategic calls. But perhaps this time he has backed a loser.

For most people, Japanese equities have proved disastrous investments and there are few signs that their return is likely to improve. However, some foreign investors have listened to Mr Biggs and other optimistic strategists: in the past two weeks international investors have been net buyers of Y340bn ($2,833m) worth of Japanese equities.

You would have thought foreign investors had learned their lesson. During the 1990s they have purchased a cumulative Y25,390bn worth of Japanese equities.

Yet since 1991, when foreigners became persistent net purchasers, the Topix index of first-sector stocks has fallen more than 35 per cent, the yield has been paltry and there have been next to no currency gains. Japan has provided a pretty rotten return.

Why do some international investors, *in spite* of their repeated maulings, want to increase their exposure yet again?

The reason, as Mr Biggs points out, is that at some point the Japanese market will reach the same point as the US market in 1982 – presenting a buying opportunity of a generation.

By some calculations, the market may already have reached that moment. About 10 per cent of the market is trading below its break-up value.

In any normal market that would trigger frenzied mergers and acquisitions activity that would drive up share prices. But of course Japan is no ordinary market. Nearly 50 per cent of the market is owned in cross-shareholdings that are only gradually unwinding and form a so-far impenetrable barrier to hostile takeovers.

The basic problem for the optimists is that Japanese corporate earnings are in deep trouble. This is not surprising. The economy looks set to contract for four consecutive quarters. All components of final demand are down. Capital investment is plunging and consumer demand continues to decline.

As for government-led demand, Y85,000bn worth of stimulus packages – excluding the latest Y24,000bn effort – have not been able to generate sustainable growth.

Given the dire macro-economic environment, and the lack of cost cutting by Japanese companies, earnings are set to continue to decline. Warburg *Dillon Read* estimates that operating profits at ex-financial companies on the main section of the Tokyo exchange will fall 7 per cent this year and 9 per cent next.

There are, of course, good companies in Japan generating profits growth. Sectors as diverse as consumer finance companies, pharmaceuticals, media, telecoms and convenience stores are expected to post solid growth over the next two years. But these are already highly rated and may not be good value.

As for the supply-demand balance, it offers little comfort. On the supply side, the market has just had to absorb NTT DoCoMo's initial public offering, the world's largest ever, and is facing NTT's secondary issue – worth about $7.5bn – and another issue in the rail sector.

On the demand side, retail investors, burned so many times, now own only 7 per cent of the market, a proportion that continues to fall. Moreover, government price support operations – using Post Office savings funds to prop up the market by buying shares – may be nearing their limit. This year allocations have already been mostly spent. As for next year, the Post Office needs to prepare for a possible nasty out-flow of funds.

That leaves foreigners to take up the slack. The strongest argument is that western institutions are underweight and may miss the recovery when it happens. It is arguable that foreigners' ownership of the market, at 17.5 per cent of the Nikkei 225 and 9.75 per cent of the first section, is probably already high.

Of course, Mr Biggs will eventually be correct, and there will be a once in a generation opportunity to buy into the market. But not yet.

SPORTS MEDIA STEINBRENNER TO SELL MAJORITY INTEREST IN BASEBALL CHAMPIONS FOR $600m

Cablevision home run with Yankees buy

By Richard Tomkins in New York

The New York Yankees, one of the most fabled baseball teams in US sports history, yesterday looked set to change hands for a sum that will set a record for a US sports franchise.

George Steinbrenner, who bought the team 25 years ago with a group of investors for $10m, was said to have agreed to sell a majority interest in the Yankees to Cablevision, the New York based cable television station, for about $600m (£357m).

It will be the world's biggest sports deal after the pending $1bn sale of Manchester United, the English football team, to Rupert Murdoch, the media magnate.

The previous record for a US sports franchise was the $530m recently paid by the National Football League for the Cleveland Browns, while the record for a baseball franchise was the $311m paid by Mr Murdoch for the Los Angeles Dodgers earlier this year.

Cablevision has long been negotiating to buy the Yankees, winners of this year's World Series baseball championship. It already owns the rights to broadcast the team's games under a 12-year, $486m contract, and would almost certainly have to pay more for a new deal.

With the payments running so high, Cablevision calculated that it might as well own the team.

Mr Steinbrenner is willing to sell because he is 68 years old and neither of his sons has expressed any interest in owning or running the team.

Mr Steinbrenner owns about 60 per cent of the Yankees, with the balance held by family members and 16 outside investors, including the Crown family of Chicago and the Nederlander family of New York.

Under the proposed deal, details of which emerged in New York press reports over the weekend, Cablevision would acquire most of Mr Steinbrenner's stake and some of the other owners' stakes, taking its equity interest to about 70 per cent.

Mr Steinbrenner would retain a small equity interest and continue running the team, although it was not clear for how long. New York has long had a love-hate relationship with Mr Steinbrenner, an irascible shipping tycoon who has often attracted criticism for his high-handed treatment of managers and players alike.

Recently, however, he earned the city's grudging respect when the Yankees won the World Series for the second time in three years, ranking the team among the best in baseball history.

Cablevision also owns the New York Rangers ice hockey team and the New York Nicks basketball team.

EMI investors hope for Prince Charming as grim news looms

Fickle fans, Smashing Pumpkins and Spice losing its savour: **Alice Rawsthorn** assesses the music group's prospects

Investors have been braced for a ghastly set of interim results from EMI since September, when Sir Colin Southgate, the music group's chairman, issued a profits warning.

But even though they will discover tomorrow exactly how grim the figures are, the chief concern of EMI's shareholders is whether the group will finally be the subject of a bid.

The shares jumped by 58½p to 392p on Friday, on speculation that it was in talks with Rupert Murdoch's News Corporation, only for EMI to issue a denial.

The shares had until then fallen by 30 per cent since March, when Seagram of Canada made an approach – only to jilt EMI by bidding $11bn (£6.5bn) for its arch-rival PolyGram.

EMI's long-suffering investors now hope that another of its on-off suitors – such as Bertelsmann, the German media group – will bid. But if their hopes are dashed yet again, they may face a long wait while the new group chief executive whom headhunters have been hired to find tries to revive its fortune.

The prospects for an independent EMI look bleak. The crux of its problems is that Sir Colin completed his long term strategy of streamlining the old Thorn-EMI empire into a specialist music company at the same time as the $38bn music market turned sour. Record sales have stalled worldwide this year, reflecting economic instability and growing competition from other entertainment products, notably video games and the internet. Conventional music piracy has soared as CD production costs have fallen, and internet piracy threatens to spin out of control.

The music market is also fragmenting as consumers become more fickle, thereby shortening the careers of even the most successful stars. Record companies are trapped in a cycle of spending more on promotion in an increasingly unpredictable market, which makes their hits less profitable and flops more expensive.

EMI has proved particularly vulnerable. During the buoyant mid-1990s, its performance was bolstered by the weak pound and by windfall profits from the Beatles' *Anthology* albums, and then the Spice Girls. When the music market stalled, EMI was burdened by the strong pound and a dearth of hits.

It has had some successes this year, notably with Robbie Williams in Europe and Priority Records, its US rap label; but the heavily promoted releases by Janet Jackson and the Smashing Pumpkins proved disappointing. And as for the Spice Girls, Dresdner Kleinwort Benson expects them to contribute £15m to operating profits this year, against £64m last year.

EMI has little hope of improving profitability by cutting costs because Ken Berry, head of its record labels, has already rationalised its operations. "If there's one thing these guys are good at, it's cutting costs, and there's not much left to go," said Michael Nathanson, analyst with Sanford C. Bernstein in New York.

The gloomy outlook, coupled with EMI's lean condition, may deter prospective bidders, such as News Corp, Walt Disney or Microsoft, which do not already own sizeable music businesses. These companies might be attracted by the prospect of owning EMI's classic music copyrights, but unless they can cut costs by merging it with a similar operation, EMI's poor trading prospects would make the deal seem expensive.

However, the same arguments make EMI very appealing to another multinational music group, particularly as the forthcoming merger of Seagram's Universal Music with PolyGram threatens to raise the financial stakes in the industry.

PolyGram is already the world's biggest record company with 17 per cent of sales, and its merger with Universal will create a colossus with a 23 per cent share. The two companies will command nearly 25 per cent of the $12bn US music market.

Sony and Warner, the second and third largest music groups, would face anti-trust problems in many countries if they tried to buy EMI.

The smaller Bertelsmann Music Group (BMG) would also encounter difficulties, notably in Germany and Brazil, which, until now, have deterred it from bidding. Bertelsmann executives also argue that they expect EMI's shares to fall further and, having spent more than $2bn on publishing acquisitions this year, do not wish to be hurried into an unnecessarily expensive bid.

They must now weigh those considerations against the risk of an offer for EMI from News Corp, or from one of the break-up consortia being dreamt up by fee-hungry investment banks, and against the threat of BMG becoming too small to compete against the combination of Universal and PolyGram.

BSkyB in move for Italian pay TV

By Paul Betts in Milan

Telecom Italia is in the final stages of negotiations with Rupert Murdoch to form a new Italian digital pay television partnership which will also include TF1, the leading French television network controlled by the Bouygues media and construction group.

The proposed alliance with Mr Murdoch's BSkyB television group has already provoked political opposition in Italy, with the government and the opposition fearing the arrival of Mr Murdoch in the country's politically sensitive broadcasting sector.

The deal now hinges on the approval of Franco Bernabe, Telecom Italia's new chief executive appointed last week.

Mr Bernabe, the former head of Eni, the Italian oil and gas group, is expected to review both the business and political implications of the proposed partnership, in what will be his first significant decision at the privatised telecommunications group.

Mr Murdoch has been negotiating with Telecom Italia since the summer to acquire a stake in the telecom's group Stream multimedia start-up subsidiary. Telecom Italia intends to use Stream to launch a second digital pay-TV platform in Italy in competition to the existing Telepiù pay TV network 90 per cent controlled by Canal Plus, the French group.

Apart from penetrating the Italian television market, Mr Murdoch is also anxious to secure the valuable pay television rights for Italy's Serie A and Serie B soccer leagues. His proposed partnership with Stream is considering a L4,200bn ($2.55bn) bid to acquire these rights from the Italian soccer league for the next five years.

Mr Murdoch is convinced that a new pay television network can only become profitable if it secures these soccer rights. However, his ambitions have been complicated by his rival Canal Plus which has already negotiated separate long term rights deals with four leading clubs – Juventus, Inter Milan, AC Milan and Napoli – which account for the bulk of the Italian tv soccer audience.

Telecom Italia yesterday sought to quash speculation that Mr Murdoch would announce an agreement today in a press conference in London.

AMP chases Pearl customers

By Christopher Brown-Humes

AMP, the Australian insurer, is planning to set up a bank in the UK to offer deposit accounts to customers of its Pearl Assurance subsidiary. The aim is to capture some of the £400m to £500m ($840m) which Pearl pays out every year in maturing policies.

It follows moves by other UK insurers to develop banking operations.

George Trumbull, AMP chief executive, said he hoped AMP Bank, which was only set up in Australia earlier this year, would start operating in the UK next year. "It would be focused solely on existing Pearl customers, it's not a grand entry into banking", he said.

The bank would need approval from the Bank of England. Pearl Assurance caters to lower to middle income groups and until now its fledgling banking operations have been handled through a tie-up with the Bank of Scotland.

COMMENT

Guardian Royal

Radical solutions certainly need to be considered at Guardian Royal Exchange. The insurance group is spread too thin in too many markets to enjoy much competitive advantage. So news that it has appointed Morgan Stanley to handle a possible sale of the company is welcome. With one suitor making what was deemed to be a particularly serious approach, it makes sense to try to drum up some competitive bids.

The snag is that, precisely because Guardian is something of a hodge-podge, it may be hard to find many buyers who want the whole group. Securing a premium price will require skill.

So Guardian should not limit itself to selling everything to a single bidder. To maximise the sales proceeds, it may need to consider selling itself off in chunks.

Insolvencies

It is 12 years since the UK threw a new lifeline to sinking companies by introducing the administration procedure. But it has proved too costly and long-winded to be relevant in most insolvencies. The government's latest proposal for reform should enjoy more success because it is swimming with the tide.

The plan is to build on the company voluntary agreement mechanism which has grown rapidly in the past three years – despite falling insolvencies.

As the name suggests, a CVA offers a company the chance to agree a work-out of its debts. The new proposals should tackle one of the main problems limiting its use: that the company has no protection while it tries to set up a CVA, so a single irate creditor can scupper the attempt. Allowing up to three months instead of one also seems fair. But that should be quite enough. The US Chapter 11 procedure can allow a failing company to trade for far too long, damaging healthy competitors as well as creditors.

Indeed, the virtues of a more debtor-friendly scheme are strictly limited. Companies often go bust because they are badly run. Traditional receivers should not be maligned for recycling the viable parts to better managed homes. Care must also be taken if the creditors' pecking order is to be tampered with. While it might be generous of the government to soften the Inland Revenue's approach to defaulters, banks will factor any loss of rights into borrowing costs.

ICL ends talks with Nomura

By Norma Cohen, Property Correspondent

ICL, the IT systems and services company, said it has broken off talks on the sale of its property assets to Nomura, the Japanese-based investment bank, in a deal valued at up to £1bn ($1.7bn).

The two sides could not agree on a price, but a spokesman for Nomura said this was completely unrelated to problems in its commercial property interests.

Capital Company of America, Nomura's commercial property finance subsidiary, announced a $275m (£163m) half-yearly loss in September, and several mortgage finance executives have subsequently left.

"That had no effect", the spokesman said, adding that Nomura's Principal Finance Group, which was negotiating with ICL, had continued to sign new deals despite the weakening real estate market in recent months.

Under terms of the deal, Nomura would have acquired the leasehold and freehold assets and undertaken full responsibility for facilities management and maintenance.

Richard Reed, director of commercial operations at ICL, said the company still intends to seek a buyer and manager for its UK property portfolio. "The objectives (for the deal) include the transfer of risk," Mr Reed said. Risks for ICL, which has roughly 100 UK properties, almost all leasehold, include management of leases at buildings it no longer occupies.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, November 20, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

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COMPANIES & FINANCE

WASTE SERVICES COMPANY TO SURRENDER 90% TO DEBT HOLDERS

Philip staves off bankruptcy

By Scott Morrison in Toronto

Philip Services, the troubled Canadian waste services group, has staved off the threat of forced bankruptcy by agreeing to surrender 90 per cent of the company to US financier Carl Icahn and other debt holders.

Under the terms of a restructuring agreement reached between Philip and three lenders on Friday, the Canadian group would convert its US$1.06bn in bank debt into US$200m of new secured debt. Current shareholders would be entitled to retain a 10 per cent interest in the company.

The waste services group was forced into the agreement after Mr Icahn, believed to hold or control the largest portion of Philip debt, threatened to launch bankruptcy proceedings if management did not transfer ownership and control of the company to lenders.

Mr Icahn moved quickly after the company said it would stop servicing its debt. The agreement, which requires the support of two-thirds of the company's 40 or so debt holders by December 15, provides Philip with eight months to complete its financial restructuring.

Carl Icahn: moved quickly to force restructuring agreement

Mr Icahn and the two other lenders – American Real Estate Holdings and Foothill Partners – agreed not to launch bankruptcy proceedings unless Philip failed to meet target dates or other obligations.

"The standstill was necessary to afford Philip Services and its stakeholders the opportunity to salvage value, stabilise current operations and move quickly and efficiently towards a responsible restructuring," Mr Icahn said.

It was not clear how much Philip debt Mr Icahn holds or controls, nor was it known how much equity he would own following the company's financial restructuring. The US financier, regarded by some as a corporate raider, currently holds 14 per cent of Philip shares.

Mr Icahn and Foothills would nominate two new directors to the company's board and they agreed to appoint as interim chief executive Allen Fracassi, the company founder who stepped down several months ago as the groups financial woes deepened.

Jack McGregor, Philip's recently appointed chief executive, will stay on to oversee the company's restructuring plan.

Philip also said that Soave Enterprises, the US scrap ferrous concern, and an unnamed US venture capital group had agreed to underwrite and invest up to US$200m in Philip equity capital. Lynda Kuhn, a Philip official, said the unnamed group was not an investment vehicle controlled by Mr Icahn.

Philip said the Soave investment would form part of an alternative restructuring proposal it would present to debt holders on or before December 15.

Philip shares have plunged over the past year as the company has been beset by copper trading losses, accounting inaccuracies, falling metals prices, large debt obligations and lawsuits filed by angry investors. Philip shares rose 27 cents on Friday to close at C$0.88 in Toronto.

Deutsche Telekom in cable network move

By Frederick Stüdemann in Berlin

Deutsche Telekom, Europe's largest telecoms company, has appointed UK investment bank N.M. Rothschild to advise on selling stakes in its television cable network.

The announcement follows Deutsche Telekom's decision to spin off its loss-making cable activities after pressure from regulators.

At least 20 potential investors have expressed interest in acquiring stakes in the cable network, by far the biggest in Germany. Most of the interest has come from within Germany but a number of international companies are also involved.

The network has a book value of DM8bn ($4.7bn). In 1997 it had revenues of DM2.3bn and incurred losses of DM1.3bn, which it attributed to start-up costs linked to digitisation.

Deutsche Telekom's cable strategy was also hit by the decision by the European Commission earlier this year to block a planned digital pay-TV alliance between the companies and the media groups Bertelsmann and Kirch.

One of the reasons for the commission's decision was its opposition to Deutsche Telekom's ownership of both traditional fixed networks and cable at a time when technological developments have blurred the distinctions between the two.

In response, Deutsche Telekom decided to place the cable network business in a separate company from January 1. It then plans to divide up the company into regional units in which investors will be offered stakes. The geographical boundaries of the units and the size of the stakes have not been finalised.

Gerd Tenzer, board director responsible for cable, said the company would not accept attempts at "cherry-picking" by investors, implying that locations with high cable penetration may not be sold off on their own but together with less desirable regions. He added that the company would only accept "market prices" without specifying what these were.

● Mannesmann, the Düsseldorf-based industrial conglomerate, has appointed Lars Berg, chief executive of Sweden's Telia, as head of its fast-growing telecoms operations, writes Ralph Atkins in Bonn.

Mannesmann is one of the most successful mobile and fixed net rivals to Deutsche Telekom, and has telecoms interests in France and Italy as well as Germany.

Mr Berg's appointment is part of an overhaul of the group's board which, as expected, will see Klaus Esser, currently vice-chairman, become Mannesmann's chairman next May.

Mr Esser will succeed Joachim Funk, who is retiring from the executive board but is expected to become chairman of the supervisory board.

Mannesmann also announced it was merging its Demag and Krauss-Maffei engineering divisions. The decision follows a substantial streamlining of its engineering interests.

Energy and environmental technology interests, as well as petrochemical and refinery activities are currently being lined up for disposal.

On last year's turnover figures, the new subsidiary, Mannesmann Demag Krauss Maffei, would have had a turnover of about DM9bn.

Philip Morris to buy US brands

By Richard Tomkins in New York

Philip Morris, the biggest US tobacco company, has reached an agreement to buy three cigarette brands for $300m in cash – half of which will be paid even if the deal never goes ahead.

It is buying the US rights to the L&M, Chesterfield and Lark brands from Liggett, a subsidiary of Brooke Group, a holding company headed by the corporate raider Bennett LeBow.

As a result of the deal, Liggett will join the $206bn tobacco settlement that was unanimously accepted by state attorneys general on Friday and which is due to be formally signed today.

Philip Morris already owns the rights to L&M, Chesterfield and Lark in markets outside the US. It will buy the US rights for $150m, followed by another $150m if the deal goes ahead.

The risk to the deal is that it may face opposition from the US anti-trust authorities, who are unlikely to be sympathetic to an acquisition that would increase Philip Morris's market share.

Philip Morris appears to have agreed to the arrangement to enable financially-troubled Liggett to join the tobacco settlement, which requires cash contributions from companies with a market share greater than 1.67 per cent.

The deal will take Liggett's market share below this level, enabling it to join the tobacco settlement without paying out any money.

Liggett will use the $150m up-front payment from Philip Morris to redeem $145m of debt that was about to fall due.

The deal benefits Philip Morris because it removes the threat that Liggett could have sought to increase market share by charging lower prices.

As a signatory to the settlement, Liggett will keep its market share down by charging the same prices as the big companies, and enjoy big profits because it will not have to contribute to the settlement costs.

Manulife to form insurance alliance with Daihyaku

By Gillian Tett in Tokyo

Manulife Financial, one of Canada's large life insurance companies, is preparing to form an alliance with Daihyaku, a troubled life insurance group.

Dominic D'Alessandro, Manulife president, denied that this would lead to the Canadian group taking over the Japanese company. However, Daihyaku told local media that the alliance would leave the Japanese company selling rights to its new business to a future joint venture, which Manulife was likely to control and would be capitalised at up to Y100bn ($831.6m).

The deal, which would be only the second such alliance between a foreign and Japanese group, provides new evidence of the growing interest among non-Japanese groups in the country's vast life assurance sector.

It comes at a particularly delicate diplomatic moment, since a potentially bitter dispute has erupted between the foreign life insurance companies and brokers and the Japanese government about investor protection for the industry.

The government decided that all brokers and life insurance companies operating in Japan must contribute to a new investor protection fund from December 1. But the foreign companies in the brokerage sector, which account for about 30 per cent of all trades on the Tokyo stock exchange, have already complained that the official fund does not meet international regulatory standards. Consequently, 37 foreign brokers yesterday formally submitted an application to establish a breakaway fund.

The problem has left some foreign life assurance groups wary about conducting alliances with Japanese partners. In particular, some fear they would be forced to rescue the Japanese company if it failed.

GE Capital, the large US finance group, made some attempt to resolve this issue this year in a deal with Toho Mutual, another weak life assurance group. The deal effectively left Toho's liabilities "ring fenced" from the US company by selling Toho's new business to a separate joint venture.

The alliance between Manulife and Daihyaku is likely to be conducted on similar lines, industry officials say.

Renel bond repayment sought

By Vincent Boland

A group of foreign investors is demanding the early repayment of a $135m bond issue by Romania's state-owned electricity utility amid claims that recent moves to restructure the company have increased the risks attached to the bonds.

The investors invoked a "put" clause calling for early redemption after a change in the legal status of Renel, which issued the bonds in February last year.

Renel was restructured by the Romanian government in July in a World Bank-supported project that saw its non-nuclear generation and supply activities turned into separate subsidiaries.

The new holding company, Conel, succeeded Renel as issuer of the bonds, but investors claim its status as a joint stock company has weakened its state backing.

Conel has rejected the demands for an early repayment of the bonds – floating-rate notes with a life of five years that were placed privately on behalf of Renel with a group of foreign investors by Merrill Lynch.

The Renel bonds were priced to yield 275 basis points over the London Interbank Offered Rate (Libor). If the company was forced to refinance the bonds, it would almost certainly have to pay a higher premium, bankers in London said.

The dispute comes at a difficult time for Romania, which has had its credit rating downgraded in the past two months. Renel and Conel do not have credit ratings, but both Standard & Poor's and Moody's cut Romania's foreign currency rating recently, to B- and B1 respectively.

Bankers and investors in London familiar with the Conel bonds said the company had until next Friday to agree to repay the bonds under the terms of the "put" clause, although other clauses could be invoked in early December.

Renel was a regie autonome, or state holding body, when the bonds were issued, and the investors claim the status of joint stock company conferred on Conel has weakened state guarantees attached to the company.

"As an RA, Renel was viewed as an arm of the government, but the restructuring has moved it one step away from that implicit support," a UK banker said.

Traditionally, regies have been controlled by ministries while joint stock companies were the privatisation agency's responsibility.

Conel has resisted pressure to make an early repayment, insisting holders of the bonds "have no reason for concern". It said it was clarifying the legal and financial aspects of the restructuring of the electricity sector.

INTERNATIONAL BONDS ISSUANCE OF SOVEREIGN BONDS PICKS UP WHILE CORPORATE BONDS DWINDLE

South-east Asia's debt markets start to stir

By Ted Bardacke in Bangkok

Local bond markets in south-east Asia are slowly crawling back from the dead.

The pick-up in bond market activity is not a sign of gradual economic recovery in the region. But it confirms that governments are increasingly resorting to local debt markets to meet some of the costs of the crisis, in particular huge budget deficits and costly financial system restructurings.

For most, borrowing on the international capital markets is still not an option because emerging market risk premiums are very high.

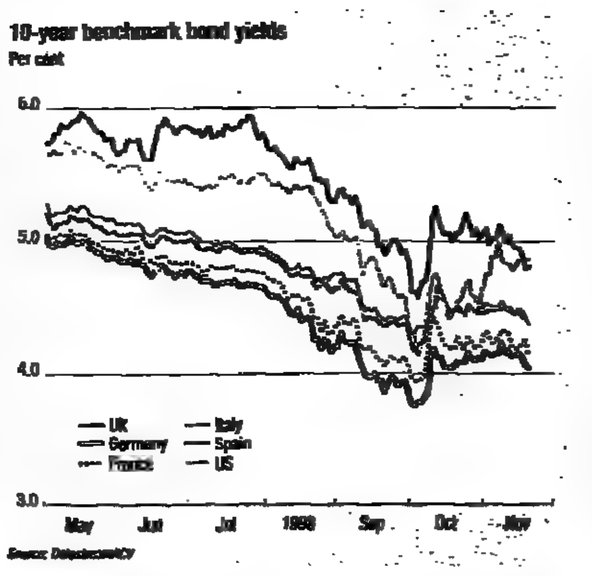
This year, the value of local bonds issued in Thailand, for example, has increased nearly four times to Bt647.1bn, up from just Bt168bn at the end of 1997. While the value of corporate bonds outstanding has actually fallen, government and state-owned enterprise bonds worth nearly Bt500bn have been issued and at least Bt300bn more are on the way in the next few months.

Many of these bonds are being used to finance the Thai government's bill for bailing out the country's banks. Ministry of Finance officials say more bonds are likely be issued to finance the country's first budget deficit in years, close to Bt100bn ($2.77bn).

There is also an emerging secondary trade in these bonds and for the first time, the Thai Bond Dealing Centre is able to calculate a daily "reference" yield for government bonds.

Analysts say the phenomenon could soon be seen in Malaysia as well. The country is expected to issue at least M$18bn in zero-coupon bonds to recapitalise the country's banks and buy bad debt from them. It will also finance most of its budget deficit next year, estimated to total about M$8.3bn (US$2.2bn), through bonds. If all of these bonds trade, Malaysia's government bond market would grow by about 35 per cent.

Indonesia has similar bills to pay. It is largely cut off from international capital markets, and the International Monetary Fund is unlikely to let it run the printing presses like it did earlier this year. Bonds are the likely answer to fund the Rp140,000bn ($18.6bn) banking system bill and two years of a budget deficit likely to total at least Rp40,000bn.



The government has already started to issue some 365-day notes but is constitutionally barred from issuing debentures with maturities longer than that. However analysts say the central bank and Ibra, the banking restructuring agency, may try to ease those rules. Rough calculations indicate that the Indonesian bond market could see a 10-fold increase.

Local bond markets in south-east Asia were never much to begin with. In 1994, bond market value was only 6 per cent of gross domestic product in Indonesia and 10 per cent of GDP in Thailand. This compares with 110 per cent in the US and 74 per cent in Japan. Malaysia had a robust market, 56 per cent of GDP, but very little secondary trading due to an insatiable demand from the government's own contractual savings fund. Ironically, the Philippines, due to its legacy of chronic budget deficits, was considered the best developed market, equal to 40 per cent of GDP.

In 1995 the World Bank warned that the region's long-term investment needs were not being well-serviced by the short-term nature of bank debt and one-off public equity offerings. Two years later, when bank loans were suddenly called in, the region's financial mess grew.

"It was like we were walking across a river on a thin thread," says Jaroungpon Hoonsiri, president of the Thai BDC. "When it broke we got wet. It has really forced us to put the infrastructure in place for a medium and long-term capital market."

But first, bonds have to overcome a stigma. In Thailand, where over 60 per cent of bonds were until 1997 issued by property and finance companies, a lot of investors came unstuck when one-third of Thai corporate bonds defaulted last year. Indonesia did not suffer quite as badly, but limited secondary trading meant yields were unable to keep up with high-interest government paper.

Now that ample supply is re-emerging, maintaining demand is crucial.

So far in Thailand, with its falling bank deposit rates, this has not been a problem. The current 6.16 per cent yield on a six-month government bond is higher than a similar bank deposit. Volatile swings in interests, mostly downward in the past few months, have encouraged secondary trading.

"People are really searching for yield right now," says Douglas Cairns, Chief Investment Officer of Nakornthon Schroder Asset Management, a Thai mutual fund company. Though Nakornthon Schroder's fixed income funds are mandated to hold at least 25 per cent in bonds, the funds have about 60 per cent invested in bonds.

Mitsui OSK to buy Navix

By Alexandra Harney in Tokyo

Mitsui OSK Lines, the Japanese shipping company, is to acquire Navix, the world's largest tanker operator, creating the country's largest shipping group.

The new company, which will keep the Mitsui name, will have annual revenues of nearly Y1,000bn ($8.3bn) and assets of Y640.9bn.

However, an announcement that Moody's, the US credit rating agency, had placed the new group's debt under review for a downgrade damped enthusiasm for the merger.

Executives from both companies insisted the deal was not a rescue at sea. "We share a spirit of equality," said Noriaki Hori, president of Navix Line.

The deal, which follows last month's merger of Showa Line and Nippon Yusen, two leading shipping groups, would allow both companies to cut costs by eliminating overlapping facilities and offers greater economies of scale amid the continuing consolidation in the Japanese shipping industry. However, there would be no restructuring beyond those reforms already launched, the companies said.

Under the deal, 3.5 shares of Navix will be exchanged for every Mitsui share. At a price of Y50 per share, the deal will raise Mitsui's capital by 10.7 per cent, from Y58.84bn to Y64.9bn. Mr Ikuta, Mitsui president, will head the new group, and Mr Hori will be chairman.

The company is set to begin operations in April 1999, pending approval from shareholders.

Analysts, noting the possible Moody's downgrade, warned that the deal was like tying two sinking ships together.

Both groups have been hit by the collapse in stock values and the economic slowdown across Asia.

Both are heavily leveraged: Mitsui had 7.1 times interest bearing debt to equity and Navix had a ratio of 5.7 times as of March 1998, according to Jun Harada of Warburg Dillon Read.

Daewoo founder and chairman to meet press

By John Burton in Seoul

Kim Woo-choong, the founder and chairman of Daewoo, is expected to meet the press today to prove he is in good health in spite of brain surgery last week to remove a blood clot.

However, Mr Kim must also persuade sceptical investors that his business group, South Korea's fourth largest, is also in good financial health.

Daewoo on Friday denied long-standing market rumours that it had serious liquidity problems that could force it to seek bankruptcy protection.

"Daewoo group doesn't have any big financial problems," said Chang Byung-ju, president of Daewoo Corporation, the holding company for the group, whose main businesses are cars, shipbuilding and electronics.

Speculation about Daewoo's future has been fuelled by aggressive overseas investments in Asia and eastern Europe and a sharp rise in corporate bond and paper issuance this year.

The emergency surgery on Mr Kim raised concerns about the group's management, since he has dominated Daewoo's decision-making since he founded the company in 1967.

Mr Kim is also head of the Federation of Korean Industries, the lobbying group for big business that has opposed restructuring of the top five conglomerates, or *chaebol*.

Financial troubles at Daewoo would not only worsen Korea's banking crisis, but also have serious effects on other emerging markets, including Poland, Romania, Vietnam and Uzbekistan, where Daewoo is the single largest foreign investor.

Investor worries about Daewoo caused share prices for its listed companies to fall by nearly 50 per cent in the past year.

Daewoo said such fears were unjustified since it expected to report net profits of Won670bn ($530m) for 1998, although it acknowledged a loss of Won90bn for the first half because of costs involved in its acquisition of troubled Ssangyong Motor earlier this year.

However, analysts believe there are worrying signs concerning Daewoo's performance.

Korea's Fair Trade Commission last week fined Daewoo nearly Won2bn for forced sales of Daewoo cars to employees as domestic sales fell sharply. Ssangyong employees claimed they were forced to buy Daewoo cars to keep their jobs after the takeover.

"We are increasingly worried about the future of the Daewoo group," said a recent report from ING Barings in Seoul.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
ABN Amro (N'lands)	Bandepe (Brazil)	Banking	$154m	Sole bid wins
Hydro-Quebec (Canada)/ Coastal Power (US)	Fortuna (Panama)	Power	$118m	Joint bid for 49%
Enron (US)	Bahia Las Minas (Panama)	Power	$92m	Initial 51%
AES Corp (US)	Chiriqui/Bayano (Panama)	Power	$91.7m	Double take
Masco (US)	Heritage Bathrooms (UK)	Building products	$67m	Recommended bid
Grey Advertising (US)	Media Business (UK)	Media services	$46m	MediaCom growth
Hubbell (US)	Chalmit (UK)	Lighting	$28m	Debt-cut disposal
Detecon (Germany)	Uganda Telecom (Uganda)	Telecoms	$23m	Joint tender wins
Roxboro (UK)	Norwich Aero Prdcts (UK)	Aerospace parts	$7.8m	Cash deal
KPN (N'lands)/Qwest (US)	KPN Qwest (JV)	Telecoms	n/a	Internet initiative

Continental European buy-outs decline

By Katharine Campbell, Growing Business Correspondent

The volume of continental European buy-outs fell sharply in the first half of this year, sending a warning signal to UK and US private equity managers who have been directing increasing resources to the area.

Just 32 transactions were completed, with combined funding of £2.78bn ($460m), according to KPMG Corporate Finance, excluding smaller deals with total financing of less than £10m.

This represents less than half the activity recorded in the second half of last year, when 62 deals were done, worth £6.46bn. The first half of 1997 saw 50 buy-outs with funding of £4.52bn.

Mike Stevens, head of MBO Services at KPMG, said: "Equity investors are not going to find continental Europe the nirvana they had once expected."

KPMG said a possible reason for lower volumes was that competition from a host of well-funded private equity managers had driven up prices and potential acquisitions no longer looked cheap compared with the UK.

At the same time, it said that in spite of financial market turbulence and the consequent contraction in the availability of bank debt, preliminary numbers for the third quarter looked "slightly better".

Most private equity managers cautioned against reading too much into figures for a particular half year. The market may not be opening up at the rate some have predicted, so activity in the very large buy-outs remains patchy – rather than having tailed off.

For example, the Netherlands topped the country tables in the period, with £1.19bn in just two deals – almost entirely accounted for by the £1.04bn buy-out of Kappa Packaging.

Germany saw six deals, totalling £737m (against £1.28bn for the first half of 1997) and France had nine small deals amounting to £319m, well down on its record 1997 second half of £2.77bn.

John Burgess, at BC Partners in London, said: "I don't think the market has gone away at all. We happened to do four large deals during 1997 and none in the first half of 1998 but these things go in spurts. We are working on a number of big continental deals, all of which might come to fruition."

US buy-out houses, such as Hicks, Muse, Tate & Furst, are setting up in London as a base from which to scour the continent. Carlyle, a Washington DC-based firm that has raised a dedicated fund for Europe, has built a local network of around 25 investment executives.

UK private equity managers have been expanding their presence on the continent for several years.

Victor Basta, managing director of Broadview, the technology mergers and acquisitions investment bank, pours further cold water on any worries of a slowdown. "I'm at the coal face. It's just not what I am seeing. [Venture capitalists] are stuffed to the gills with deals and working flat out."

EMERGING MARKETS SRI LANKAN EXCHANGE LOOKS TO DOMESTIC INVESTORS

Colombo to target rural communities

By Amal Jayasinghe in Sri Lanka

It is not only Sri Lankan speculators but the Colombo stock exchange itself that is taking a gamble. For as the bourse heads for uncertain times, it is embarking on the the risky business of expansion.

The tiny Colombo exchange is to open its first branch outside the capital in a bid to attract rural investors and reduce its dependency on foreign investors who have been leaving in droves.

"We are taking a big chance," said Rienzie Wijetilleke, chairman of the exchange as he outlined the decision to open an office at the southern town of Matara.

Mr Wijetilleke said the rural farming region would have to generate at least SLRs5m ($73,861) worth of trades each day for the CSE to break even. He recognises this is a very tall order.

"We may not be able to get this initially," he said. "But we want to do it in the interest of developing the market."

In terms of technology, the tiny Sri Lankan stock exchange is probably on a par with counterparts in the west.

The proposed branch some 160km south of the capital will be online with screen-based trading.

The CSE hopes to educate rural communities which are more accustomed to traditional savings accounts to keep their excess cash in the equities market as a "high risk but high return" option.

When the Matara branch opens in March with five broking houses located within the same premises, it will also encourage school children to learn more about the markets.

But even the most astute analysts in the country find it difficult these days to explain sharp price movements in Colombo.

When John Keells Holdings, one of the bluest of blue chips, announced profits of more than SLRs1,000m earlier this year, investors were apparently unimpressed and the company's share value dropped by almost half.

However, the John Keells share price subsequently made a dramatic recovery, even though the company reported disappointing third-quarter results showing profits down by 7.1 per cent.

The National Development Bank found itself in a similar situation when its share price started climbing – even though the company reported a 16 per cent fall in third-quarter profits.

Colombo is often described as a foreign-driven market, but overseas investors have been pulling out.

A sharp downturn in Colombo began before India carried out its first nuclear test explosion on May 11, which shattered foreign investor confidence in the entire region.

"About half the trading was by foreigners in May and June," the director general of the CSE, Hiran Mendis, said. "Now they account for about 25 to 30 per cent of the market and there is a net outflow of foreign funds."

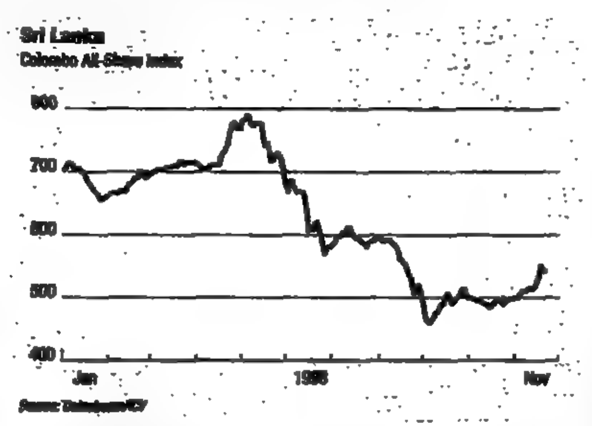
G. L. Peiris, deputy finance minister, said there had been a lukewarm response to several tax concessions aimed at boosting volumes at the exchange.

"In spite of the technological improvements in the trading system ... and a tax bonus, the investor base remains narrow due to insufficient participation by ordinary people, the local business community and institutional investors," said Mr Peiris.

The exchange is now eyeing local institutions with big cash holdings as future investors.

In an effort to lift the market, the government has also asked three state-run institutions to invest in equities. However, few individuals expect the latest mini-rally to last for long.

"I just don't know why the market is suddenly picking up. It may be the stars," said private analyst Elton Ebert. "But my advice is: don't be in a hurry to gamble."



Export growth boosts Toyota

By Alexandra Harney in Tokyo

Toyota, the Japanese carmaker, capped the country's interim results season with record operating profits of Y285.8bn ($2.38bn) for the first six months, 0.6 per cent ahead of the same period the year before.

The performance went against the trend in the Japanese automotive industry, which has been battered by domestic and regional economic crises.

However, pre-tax profits at Toyota were down 11.1 per cent to Y288.6bn, on turnover down 0.9 per cent at Y3,763.1bn.

The results highlighted the growing divergence in the competitive Japanese automotive industry. Nissan and Mitsubishi, the second and third largest carmakers, are expecting huge losses this year. But Honda, Mazda, and Suzuki have offset the domestic decline with robust sales in the US and Europe, supported by the weakness of the yen against the dollar.

Analysts said Toyota's relatively stronger performance was the result of heavy investment in research and development and the popularity of its models in the US.

Toyota, which controls about 40 per cent of the Japanese market, revealed strong gains in export volume. While sales at home shrank 14.4 per cent to Y1,644.1bn, exports surged 13 per cent to Y2,118.9bn.

The company said the brisk foreign sales volumes partially reflected favourable exchange rates. Income gains as a result of the yen's weakness were Y100bn, calculated at an exchange rate of Y138 to the dollar. On a consolidated basis, sales in North America and Europe showed the largest increases. Turnover jumped 27 per cent in North America, and 18 per cent in Europe, compared to the first half of 1997.

Cost reductions led to a Y30bn increase in pre-tax profits. However, Toyota said that much of the currency gains and reduction in expenses was offset by increased labour and depreciation costs, which totalled Y128.4bn.

Prius, the world's first commercially marketed hybrid car launched in December 1997, had turned profitable this term for the first time.

But the second half could be much tougher because of the continuing slump in Japan and the yen's appreciation, Toyota warned. In the full year, the group expects a 20.1 per cent contraction in pre-tax profits to Y500bn, on turnover down 2.2 per cent to Y7,600bn. Net income would fall 26 per cent to Y270bn, it said.

NEWS DIGEST

TELECOMMUNICATIONS

Consolidated first-half earnings rise at NTT

NTT, Japan's largest telecoms operator, announced robust interim results on the back of strong earnings at its subsidiary, NTT DoCoMo, the world's largest mobile telecoms company. NTT's first-half consolidated net profit rose 49 per cent to Y265bn ($2.2bn). Pre-tax profits excluding exceptionals were up 15 per cent to Y404.6bn, while sales were up 1.6 per cent to Y4,712bn. Revenues from the nine NTT DoCoMo regional units rose 17 per cent to Y1,535bn, while combined net profits surged 80 per cent to Y148bn.

However, fierce competition hit NTT's non-consolidated results. Net profits fell 54 per cent to Y63bn, while pre-tax profits excluding exceptionals fell 41 per cent to Y123.1bn. Sales slid 3.9 per cent to Y3,040bn. NTT also took a Y31.8bn extraordinary loss on consolidating its personal handyphone business with its cellular phone company.

It revised downwards its group estimates for the financial year, predicting pre-tax profits excluding exceptionals at Y616bn compared with Y653bn forecast in July. However, it revised upwards substantially its net profits figure from Y368bn to Y624bn. **Naoko Nakamae, Tokyo**

GREEK BANKING

NBG ahead at nine months

National Bank of Greece, lifted net profits 60.4 per cent in the first nine months of 1998 to Dr58.4bn ($206m), from Dr36.4bn in the same period last year. NBG, the biggest Greek bank, said it benefited from faster growth in commercial banking activities, with interest income up almost 30 per cent, from a restructuring of its loan portfolio and disposals of holdings in companies unrelated to banking.

NBG last month completed a merger with National Mortgage Bank, its housing subsidiary. It said combined net profits rose 20.5 per cent in the first three quarters to Dr88.6bn, from Dr73.5bn last year. **Kerin Hope, Athens**

FRENCH BANKING

SocGen denies talk of merger

Société Générale, the French bank, dismissed speculation that it was in merger talks with ABN Amro, the Dutch bank, or Paribas of France. "We have not been approached by ABN Amro or Paribas, nor have we approached ABN Amro or Paribas," the bank said. SocGen shares closed on Friday at FFr875, up from FFr780, after trading was suspended when the Paris bourse's circuit breakers were triggered. **Samer Iskandar, Paris**

US BANKING

Goldman owns 4.9% of Baan

New York investment bank Goldman Sachs held 4.9 per cent of Baan Company, the Dutch software group on October 31, not the 10.5 per cent it reported to the US Securities and Exchange Commission last Wednesday. It amended the filing after a systems error caused some shares to be counted twice. **Gordon Cramb, Amsterdam**

German bank fulfils American dream

Deutsche still has to prove it can leverage Bankers Trust into a top US franchise, writes Tracy Corrigan

For European banks, the American dream has remained just that. More than 10 years into the globalisation of financial markets, many European banks have spent millions of dollars – and millions of hours of management time – trying to build a strong presence in the US market.

However, the Europeans have so far lagged behind their US rivals in the race to establish a global investment banking bulge bracket.

The likes of Goldman Sachs and Merrill Lynch have already built strong businesses in Europe and Asia, allowing them to profit from the increasing flow of cross-border business and the development of the world's emerging markets.

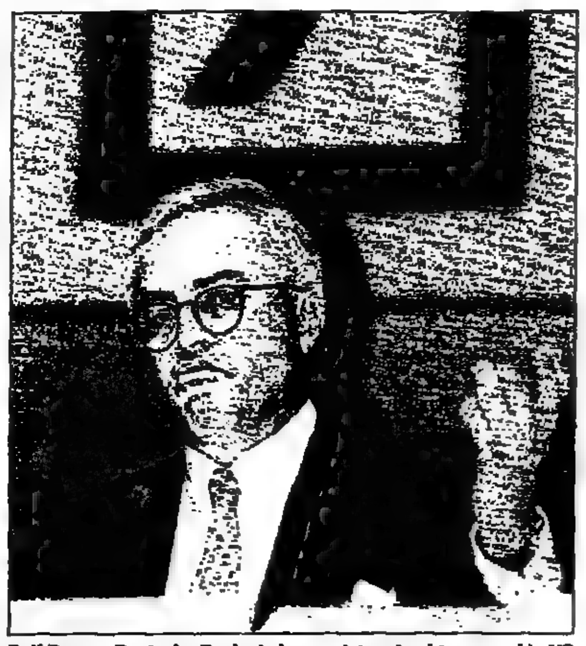
So why have the Americans succeeded in exporting their expertise, while the Europeans have largely failed? One reason is that the US investment banks have an in-built advantage: their home market is the largest and most sophisticated capital market in the world.

Furthermore, notes Raphael Soifer, financial services analyst at Brown Brothers Harriman, "the protectionist legislation of Glass-Steagall [which has separated investment and commercial banking in the US since the 1930s] has given the big US investment banks a very strong domestic base from which to expand". In Europe, on the other hand "investment banking is a more fragmented market, so US firms have been able to go in and pick off" key areas.

Furthermore, in Europe "the Americans don't carry any European nationalistic baggage, which makes them the only true pan-European firms", Mr Soifer notes.

Also, believes Michael Lipper, of Lipper Analytical, there are differences in entrepreneurial style and marketing. "The Europeans tend to do it on the basis of mass" while American firms are more relationship-driven, he says.

Furthermore, European commercial banks' more rigid management structures may find it harder to cope with what Mr Lipper terms the "idiosyncrasies" of highly-paid investment bankers – issues that have hampered Deutsche's previous efforts as well as those of others.



Rolf Breuer, Deutsche Bank chairman: determined to expand in US

The other barrier to entry for the European firms, has been, until now, the unwillingness of bigger US firms to sell themselves. The exception is Credit Suisse, which first entered a cross-shareholding agreement with First Boston in 1978, well ahead of the wave of globalisation of the 1980s.

Now wholly owned by Credit Suisse, Credit Suisse First Boston has established, after some bumps along the way, a global business with a US arm able to compete on an even playing field with the big US firms in their domestic market, and can claim to be a leading candidate to join the emerging global investment banking bulge bracket. (Donaldson Lufkin and Jenrette, majority owned by Axa the French insurance company, is a strong force in the US market but only recently started expanding overseas.)

However, European banks' US acquisitions have been mainly of small or niche businesses, such as Dillon Read, bought by the former Swiss Bank Corporation (now UBS), and Gleacher, the mergers and acquisitions boutique bought by the UK's NatWest.

Also, efforts to build an investment banking franchise in the US market from scratch have faltered. NatWest and Barclays have both pulled back, and Deutsche itself, the most ambitious of the European entrants into the US, last year said it was shifting its focus back to Europe after its expensive US operation failed to meet revenue targets.

Will Bankers Trust solve Deutsche's problems single-handedly? "It's a reasonable way in" to the US market, says Ron Mandle at Sanford C Bernstein. "It's not Morgan Stanley, but it has a decent underwriting business for the middle market."

Bankers Trust's asset management business will also help Deutsche pursue its ambition to build that business into a global force.

Cynics point out, however, that the main reason for Deutsche's choice of Bankers as a target, was availability.

After its recent battering by financial markets, doubts about whether medium-sized financial institutions with much less capital than their rivals and a narrower and more volatile business base could survive became more pronounced.

Deutsche still has to prove it can leverage Bankers Trust's existing businesses into a top US investment banking franchise.

New chapter in a tangled bank history

By Tracy Corrigan in New York

In a recent meeting with analysts, Bankers Trust chief Frank Newman insisted its strategy of remaining an independent firm focused on the financial needs of growing companies remained intact, despite a retrenchment of its emerging markets business and a cost-cutting plan.

However, there were already growing doubts about the viability of that plan, following a third-quarter loss of $488m. Many people felt it was vulnerable to a sustained bear market, because it had less capital than its bulge-bracket competitors and a narrower spread of businesses, providing an insufficiently stable earnings stream.

It was also hit by its exposure to emerging markets and high-yield bonds, where market losses were concentrated. Independence suddenly seemed less attractive, and a deep-pocketed parent more appealing.

Founded in 1903, Bankers Trust is still among the largest commercial banks in the US but in the last dozen or so years, it has undergone a number of incarnations.

"Bankers Trust has remade itself every few years for as long as I can remember," says Raphael Soifer, analyst at Brown Brothers Harriman.

In the 1980s it became a driving force in the derivatives market. But in 1995 Procter & Gamble and other large US customers charged the bank with mis-selling derivative products, after they sustained substantial losses on instruments they said they had not understood. Frank Newman was hired to clean up the mess.

He quickly shifted the bank's business away from trading and derivatives, saying they would still be important businesses "but never again in that proportion" and built up the firm's high-yield business, on the back of its traditional corporate banking and leveraged loan businesses.

In April 1997 he bought Alex Brown, the Baltimore-based investment bank that had built up a strong franchise in initial public offerings for growth companies – an equities niche that fitted well with Bankers' high-yield debt expertise.

The latest twist in Bankers' tangled history came in August's market dislocation following Russia's default on its domestic debt – which New York Federal Reserve chairman William McDonough called the biggest since the second world war.

Bankers Trust has suffered worse than most. Mr Soifer believes that while it is not a forced seller, its fortune is highly dependent on market conditions.

"They need a fair market. In a good market they should do very well. In a bad market, they could survive but they couldn't make much money," he said, noting that its IPO and high-yield businesses are highly dependent on favourable market conditions.

Analysts say buying Bankers would advance Deutsche's ambitions, but would not lift it into the US underwriting "bulge bracket" in either debt or equities.

Leveraging a banking and high-yield business into a broad investment banking operation is a difficult task with which other bigger banks such as Chase are still struggling.

However, Bankers Trust will help Deutsche in other areas. With more than $300bn under management in its fund business, it will secure Deutsche's position as one of the largest asset managers and it already has the fourth largest custody and securities processing businesses in the world.

The latest chapter of Bankers' tangled history is about to be written.

'Mere mortal' ready for ascent into elite

By Tony Barber in Frankfurt

The smile on Rolf Breuer's face could not have been wider. As he chaired a panel discussion on the euro at Frankfurt's annual European Banking Congress last Friday. Deutsche Bank's chief executive jokingly described himself as a "mere mortal" compared with the "god-like" central bankers sitting next to him.

But Mr Breuer had a secret. He knew he was closer than ever to achieving his dream of buying a big US bank and priming Deutsche for ascent into the highest ranks of the global investment banking elite.

The purchase would not only be the biggest takeover of a US bank by a foreign institution but would represent another significant expansion of German business into the US, following Daimler-Benz's merger with Chrysler and media group Bertelsmann's takeover of publisher Random House.

But opinion is divided on whether Bankers Trust, the eighth largest US bank, is exactly the right fit for Deutsche. The planned purchase has raised eyebrows in some German financial circles, not least because Deutsche's investment banking business has suffered a crop of setbacks in recent years.

Analysts say Germany's biggest bank may have spent as much as $3bn on this area of its operations in the past decade without coming close to rivalling US giants such as Morgan Stanley Dean Witter and Merrill Lynch.

Judging three years ago that it lacked the internal expertise to make a decisive impact in the US, Deutsche began hiring squads of highly paid bankers on guaranteed bonuses. However, the strategy went awry earlier this year as many of these deal-makers took jobs with rival institutions.

Carter McClelland, who ran the bank's Wall Street operations, left in April. Three months later, Frank Quattrone, the Silicon Valley specialist whom Deutsche had enticed from Morgan Stanley in 1996, went to Credit Suisse First Boston and took with him almost his entire 130-strong high technology team.

Far from denting Mr Breuer's ambitions, the defections made him even more determined to expand Deutsche's merger and acquisitions and advisory businesses in the US.

"It is essential to have a meaningful presence in the US. Wall Street is at the centre of capital market innovation," he said. "It is not good enough to be a Wall Street watcher. We have to be a Wall Street participant."

In this view he was supported by Josef Ackermann, the Swiss-born Deutsche board member who took responsibility for Deutsche's investment banking activities at the start of this year.

Mr Ackermann, 50, a former athlete who once ranked among Switzerland's top 10 javelin-throwers, is widely seen as the man who identified Bankers Trust as a possible target.

Tipped as an eventual successor to Mr Breuer, he arrived at Deutsche in 1996 from Credit Suisse – arguably the only European bank ever to have made a decent fist of playing at the top table on Wall Street.

By maintaining its vision of a place among the world's investment banks, Deutsche is to some extent going against the grain. Other European and Japanese houses have withdrawn from Wall Street, finding it simply too difficult to compete against the dominant US institutions.

In the view of Mr Breuer and Mr Ackermann, however, the key point is that Deutsche really has no choice but to develop its activities outside Germany.

Apart from the US, the bank is becoming increasingly interested in Japan, where it recently announced an alliance with Nippon Life, the nation's largest life assurance company, to develop and market investment products.

Much of Deutsche's interest in the world outside Europe is explained by the difficulties involved in restructuring Germany's domestic banking sector. Deutsche and the other two big commercial Frankfurt banks, Commerzbank and Dresdner Bank, have only 10 per cent of Germany's credit and deposit business.

They have found it almost impossible to do battle against the country's large network of public sector banks, which enjoy both state subsidies and political support. Buying a smaller domestic bank might help matters, but earlier this month Mr Breuer abandoned the idea of bidding for BfG Bank, the retail bank half-owned by Credit Lyonnais.

Hence the hopes pinned on Bankers Trust. Mr Breuer and Mr Ackermann will be praying they have made the right choice.

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MARKETS WEEK

November 23 - November 29

NEW YORK

By Richard Tomkins

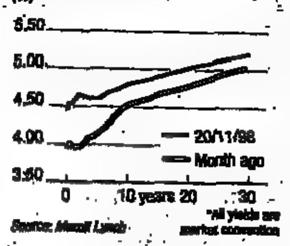
The Dow Jones Industrial Average surged again on Friday, ending the day 103.50 points ahead at 9,159.55. At that level, it was only a whisker below its record closing high of 9,190.19 on July 21 – and the question this week is; how much higher can it go?

Some analysts think the market has already reached vertiginous heights, and is riding for a fall even bigger than that suffered in late July and August. Perhaps the worst of the world financial crisis has passed, but market valuations seem to be pricing in unrealistic expectations of earnings growth, given the recent poor performance of corporate profits.

Bank stocks, however, could be driven higher today if, as expected, Bankers Trust announces that it has agreed to be taken over by Deutsche Bank. Investors will be looking for other potential merger candidates.

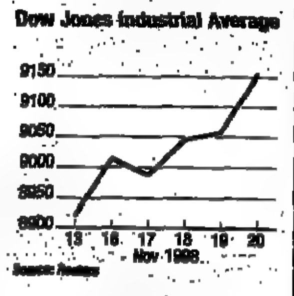
In other respects, it could be a quiet week as the markets wind down in readiness for the Thanksgiving holiday. But tomorrow brings an outpouring of economic data, with figures due for third-quarter gross domestic product, durable goods orders and personal income and spending.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dow Jones Industrial Average



Source: Reuters

LONDON

By Philip Coggan

The London market enjoyed a buoyant end to last week and will be hoping to continue the mood. But it may take a big bid, such as was rumoured last week, to maintain the upward momentum.

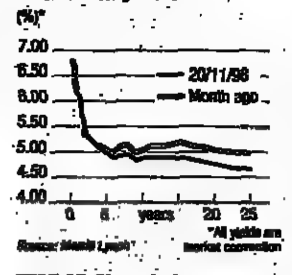
As the Federal Reserve has just cut rates, the Bundesbank left them on hold and the Bank of England's monetary policy committee does not meet until December 9, the week should have few policy surprises.

And the economic diary for the week is also light. UK trade figures will be released on Wednesday which should show a continuing big deficit. The global shortfall for September is expected to have widened from £1.2bn in August to £2.1bn, according to Standard & Poor's MMS. However, the non-European Union figure for October is forecast to have narrowed slightly to £1.6bn, from September's £1.9bn.

Recent Confederation of British Industry surveys have been gloomy, and it is unlikely the November survey, released on Thursday, will show any improvement in sentiment.

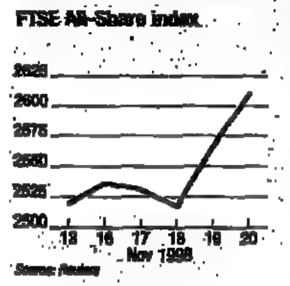
So the focus will fall on the corporate sector, in particular the results from EMI, National Power and Siebe.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

FTSE All-Share Index



Source: Reuters

FRANKFURT

By Graham Bowley

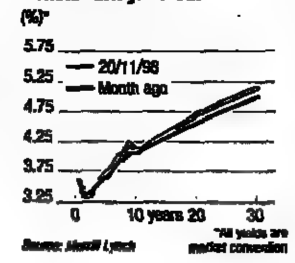
Germany's share prices rose again last week, supported by investors' belief that European interest rates could fall early next year. The Bundesbank left German interest rates unchanged at its meeting last week. This was despite heated calls from some of Germany's politicians that monetary policy should be relaxed to accommodate an expected slowdown in economic growth.

There has been a sharp deterioration in German business confidence, a survey by the Ifo institute showed last week. Economists said this reflected slowing demand within Germany and in export markets abroad. Exports until now have been the chief driving force of German industrial growth over the past few years.

This week, the markets will be watching a meeting in Bonn between Gerhard Schröder, Germany's new chancellor, and president Jacques Chirac of France.

On Wednesday, Deutsche Telekom publishes its latest business results for the first nine months. Allianz, Germany's biggest insurer, publishes its results on Thursday and the German economics institute provides analysis on the condition of east German companies.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dax index

Source: Reuters

TOKYO

By Naoko Nakamae

Developments following the announcement last Thursday of a new coalition between the ruling Liberal Democratic Party and the Liberal Party are likely to be the main focus for the markets next week.

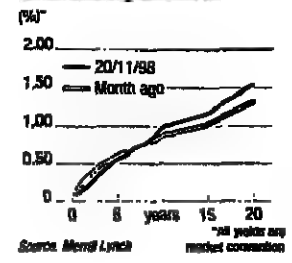
Last Monday the government unveiled an economic stimulus package worth Y24,000bn in new spending and tax cuts to be implemented in the coming months, in an attempt to pull Japan out of its worst post-war recession. Although initial reaction was modest, the stock market made large gains towards the end of last week to close up 3.59 per cent at Y14,779.94, its strongest finish for over two months.

On Friday, hopes of consumption tax cuts boosted the retail sector in particular.

"This week, investors will be watching to see whether any concrete details on tax cuts will be hammered out, and whether the government will bite the bullet on consumption tax and reduce, or even suspend, it," said Michael Wheatley, analyst at Paribas Capital Markets in Tokyo.

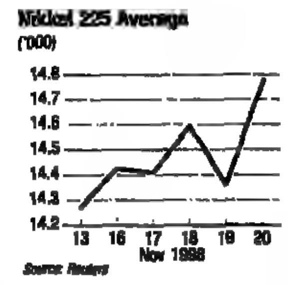
"If the coalition does announce details of the planned tax cuts, the stockmarket could make further gains," he said.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Nikkei 225 Average ('000)



Source: Reuters

COMPANIES DIARY

EDITED BY MARTIN BRICE

Regulatory issues absorb power and water groups

Siebe has largely lost the 10 per cent sales growth rate that earned the stock its premium rating, and its interim results are not expected to regain that high ground. Sanjay Jha at Williams de Broë expects £244m ($410m) pre-tax, a rise of 8 per cent.

He has said: "The economic environment for Siebe's markets is worsening. Demand from process industries, such as petrochemical, pulp and paper, has been falling for some time and this malaise will eventually spread to the automotive and appliance industries."

TUESDAY

● National Grid is expected to report interim pre-tax profits of between £170m and £210m, compared with £226m last time. Analysts believe the operator of the electricity supply system may find it hard to raise earnings due to modest load growth.

However, its shares have outperformed the market by 45 per cent in the past year because the shares of telecommunications company Energis, in which National Grid has a 50 per cent stake, have soared from about 250p to reach a high of £11.23.

● Severn Trent is thought to be better placed than some other water companies after the recent price reduction statement from Ofwat, because of its low cost-base. These interim figures may contain some comment on the Ofwat announcement, although the numbers themselves are not expected to show a big change.

Analysts expect a pre-tax result between £182m and £198m, against £191m.

● Analysts expect Benckiser, the Dutch household products company, to report third-quarter net profits of up to Fl 60.2m (£19m), compared with Fl 46.9m a year earlier.

Earnings per share are seen at Fl 1.10-Fl 1.15, up from Fl 0.90.

The company said last month that it was "on track to achieve its targets" of a 15 per cent rise in net profit, 10 per cent growth in operating income and net sales 5-7 per cent higher.

AFXNews, Amsterdam

WEDNESDAY

● Interim figures from National Power will be affected by the ending of the five-year coal deal. Attention will focus on its attempts to replace its eroding domestic market share and margins. Analysts' forecasts range from £200m to £245m, against £254m last time.

● Eni, the Italian oil and gas conglomerate, is expected to post third-quarter operating profit of L750bn-L925bn ($4540m-$563m), compared with an estimated L1,500bn a year earlier.

Strong results from its refinery and marketing business and stable results at its gas operations are unlikely to offset sharp declines in earnings at its exploration and production and its Enichem petro-chemicals business.

AFXNews, Milan

● Final figures from Granada are expected to be about 13 per cent ahead, but investor concerns over the UK economy are likely to damp any advance in the shares, which have underperformed the market by 4 per cent in the past month. Analysts expect a pre-tax result of £733m, up from £650m.

THURSDAY

● ING, the Dutch financial services group, is expected to report nine-month net profits of Fl 4.34bn-Fl 4.7bn ($2.3bn-$2.5bn), up from Fl 2.96bn a year earlier. Earnings per share were up to Fl 4.65-Fl 5.03 against Fl 3.84, according to analysts' forecasts.

Last month, ING said it had lowered its full-year earnings per share growth target to 15 per cent compared with the 30-35 per cent forecast at August's interims.

AFXNews, Amsterdam

● Interims from Pennon, the former South West Water, and Yorkshire Water are not expected to contain surprises.

The outlook for prices following Ofwat's review is likely to dominate the prospect for profits.

Pennon is expected to produce a similar result to the £68m last time, while Yorkshire is likely to come in slightly under the £116m it reported at the last interim stage.

Allan Yurko, the chief executive of Siebe

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	–	53½	48	Anglian Water B	51½		–	–	–	–
–	F.P.	4.20	86	85	†Chardol	84		–	–	–	–
§	F.P.	8.10	117	107	Collective Assets Tst	117		–	–	–	26.3
–	F.P.	395.4	325½	225½	First Active	280½		–	–	–	17.4
–	F.P.	–	110¼	104	Five Arrows Chile	110¼	-7¼	–	–	–	–
–	F.P.	–	114¾	107¾	Do Ltd Ord Un 2000	114¾	+3	–	–	–	–
–	F.P.	–	18	8	Do Wrnts	9		–	–	–	–
*	F.P.	113.1	236½	200	Garban	[illegible]		ᴸⁿ30.54	2.2	8.7	5.0
§	F.P.	21.7	103	100¾	Guinness Flt Grd M6	102½		–	–	–	–
§	F.P.	6.50	107½	101	Do Inc	107½	+1	–	–	–	–
§	F.P.	15.8	108	100	Do Zero Div Prf	108¾	+¼	–	–	–	–
§55	F.P.	14.7	65½	55½	†Honeycombe Leisure	60		–	–	–	10.3
–	F.P.	8.88	102	100	INVESCO Recovery	101¾	+¼	Fn0.05	–	8.5	–
–	F.P.	8.87	104	100¾	Do Zero Div Pref	103¾	+¼	–	–	–	–
§47	F.P.	7.08	103	79½	MSW Technology	86		–	–	–	13.8
–	F.P.	37.3	12½	10	Marley B	11		–	–	–	–
§	F.P.	6.17	5¾	4¾	[illegible]	5¾		–	–	–	–
§	F.P.	2.10	105	105	†Do Cnv Prf	105		–	–	–	–
§	F.P.	13.8	27½	27½	†Offshore Tool & En	27½		–	–	–	–
–	F.P.	–	62½	50½	†Old Monk Company	53½		–	–	–	13.6
–	F.P.	7.46	93	90½	Piccadilly Growth	90½		1.6	0.8	2.2	71.0
100	F.P.	–	103	94	REXAM B	97		–	–	–	–
–	F.P.	–	15	14	Thistle Hotels Pfd	14	-½	–	–	–	–
–	F.P.	–	15	5	Xenova Warrants	[illegible]		–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
44	Nil	27/11	2½pm	1½pm	Advanced Medical	1½pm	
145	Nil	7/12	4½pm	3½pm	Bloomsbury Publ	4pm	
3	Nil	7/12	0.75pm	0.62pm	Danes Estates	0.62pm	

pm premium.

FTSE GOLD MINES INDEX

	Nov 20	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yld %	Total return	52 week High	52 week Low
Gold Mines Index (28)	1127.43	6.5	38.74	100.00	1.88	1130.88	1381.67	701.58
■ Regional Indices								
Africa (9)	1232.52	11.6	10.07	27.40	3.33	1238.29	1496.84	785.63
Australasia (8)	1299.42	12.4	5.09	13.85	2.36	1304.72	1600.53	815.83
Americas (11)	1070.32	2.7	21.58	58.75	0.70	1071.35	1317.41	647.88

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STOCK INDICES

	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5717.5	5606.2	5474.0	5502.7	5510.5	6179.0	4648.7	6179.0	986.9
FTSE 250	4943.0	4901.6	4780.9	4809.1	4826.6	5966.6	4261.2	5966.6	1379.4
FTSE 250 ex IT	4984.6	4826.9	4809.9	4839.9	4863.7	6030.6	4295.8	6030.0	1378.3
FTSE 350	2705.8	2658.0	2603.7	2617.7	2623.2	2967.8	2233.5	3546.4	664.5
FTSE SmallCap	2053.69	2049.26	2052.84	2060.91	2067.24	2868.09	1834.49	2868.09	1363.79
FTSE SmallCap ex IT	2006.07	2008.08	2012.13	2021.40	2027.62	2554.18	1815.83	2554.10	1363.79
FTSE All-Share	2611.66	2567.28	2517.70	2531.00	2536.44	2696.17	2166.07	2696.17	61.92
FTSE Fledgling	1136.14	1133.48	1133.81	1136.27	1137.39	1517.11	1048.17	1517.11	31.14
FTSE Eurotop 100	2643.38	2566.61	2525.85	2519.38	2522.89	3086.91	2049.91	3086.91	2044.47
FTSE Eurotop 300	1136.28	1113.17	1088.44	1089.08	1093.19	1327.88	893.55	1327.88	874.08
FT 30	3434.8	3368.2	3292.6	3307.9	3324.4	3984.0	2805.6	3984.0	49.4
FT Govt Securities	114.98	112.85	112.85	112.37	112.02	116.48	93.31	141.84	49.18
FT Fixed Interest	182.23	153.08	152.90	152.24	151.78	154.80	115.32	154.80	50.53
FTSE Gold Mines	1127.43	1138.08	1127.79	1101.11	1100.82	1381.67	701.58	2074.81	701.58

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
ANZ Banking Group‡	250	Jan 2000	(a)	99.93267R	-	-	Nomura International
LB-CMT 1998-C4(b)	1.833bn	-	-	-	-	-	Lehman Brothers
Merrill Lynch & Co	1bn	Nov 2018	6⅞	98.509R	6.921	+151(8⅝-27)	Merrill Lynch
Merrill Lynch & Co	500	[illegible]	[illegible]	99.894R	6.040	+125(7⅞-04)	Merrill Lynch
Vangl Finance 1998-1(c)	115	Oct 2004	(c1)	100.00R	-	-	CSFB
CSFB Mtg Sec Corp(b)	1.391bn	-	-	-	-	-	Deutsche/JP Morgan
Republic of Argentina(n)	1bn	Dec 2005	11.00#	100.00R	-	-	ABN/Deutsche/Goldman
ABN International Finance(n)	500	Nov 2003	5.00	99.513R	5.113	+52(4¼Nov03)	ABN/Deutsche/Goldman
[illegible]	500	Dec 2008	9.375#	100.00R	9.375	+452½(Nov01)	Morgan Stanley DW
Pemex(s)	500	Apr 2003	6.50	100.696R	6.300	+169(Nov03)	ABN Amro/Salomon SB
National Bank of Hungary(t)	200	Nov 2003	5.00	99.372R	5.145	+52(4¼Nov03)	Merrill/Warburg DR
International Finance Corp	150	Dec 2000	(d1)	100.00R	-	-	CSFB/Merrill Lynch
TALT 98-C Class A1(b)‡	159	Dec 2001	(d2)	100.00R	-	-	CSFB/Merrill Lynch
TALT 98-C Class A2(b)‡	474.5	Dec 2001	(d3)	100.00R	-	-	CSFB/Merrill Lynch
TALT 98-C Class A3(b)‡	78.9	Mar 2002	(d3)	100.00R	-	-	CSFB/Merrill Lynch
World Bank	500	Nov 2013	5.50	99.285R	5.571	+65(4¼Nov08)	ABN Amro/Lehman
Province of Ontario(t)	250	Oct 2008	5.50#	99.852	5.504	+67(4¼Nov08)	Goldman Sachs Intl
Dexia Funding Corp	250	Dec 2003	(d1)	100.00R	-	-	DKB International
Westpack 98-1(b)‡	438.4	Oct 2008	-	-	-	-	Merrill Lynch
KfW International Finance(u)	100	Dec 2008	6.00	100.00R	6.000	+108(4¼Nov08)	Morgan Stanley DW
First Security Bank(b)‡	50	Nov 2003	(h1)	99.67R	-	-	Deutsche Bank
D-MARKS							
John Hancock Global Fndg	500	Dec 2003	4.75	99.598	4.932	+78(3¾Jan08)	CSFB
[illegible]	950.75	Nov 2003	(f1)	100.00	-	-	Deutsche Bank
[illegible]	550	Dec 2005	2.50	100.00	-	-	Morgan Stanley DW
[illegible]	750	Dec 2005	4.75	99.13R	4.900	+90(6½Oct05)	ABN Amro/Deutsche BK
[illegible]	150	Dec 2000	10.55	100.00	-	-	Warburg Dillon Read
Santander Finance Alt.(p)	55	Nov 2000	(u)	[illegible]	-	-	Bank Austria/WestLB
[illegible]	1bn	Jan 2009	5.00(f)	99.41R	5.075	+45(f)	JP Morgan
STERLING							
[illegible]	40	Sep 2028	(a1)	100.00R	-	-	Nomura International
[illegible]	50	Dec 2022	7.153	100.00R	7.347	-	Nomura International
[illegible]	55	Dec 2026	7.74	100.00R	7.868	-	Nomura International
[illegible]	250	Dec 2003	5.50#	99.711R	5.588	+60(6½Dec03)	Morgan Stanley DW
[illegible]	150	Jun 2021	5¾	98.56	5.48	+70(8%Jun21)	Merrill Lynch Intl
[illegible]	300	Dec 2021	5.50	99.596R	5.531	+78(8%-2021)	Barclays Capital
[illegible]	150	Mar 2004	6.52	102.75R	5.670	-	CSFB/MSDW
[illegible]	150	Oct 2003	6.00	101.637	5.607	-	Warburg Dillon Read
[illegible]	150	Dec 2001	5.375	99.469	5.572	-	Dresdner KB
World Bank	240	Dec 2001	(j1)	99.919R	-	-	Barclays Capital
[illegible]	200	Jun 2021	5.35#	99.649	5.38	+60(8%Jun21)	JP Morgan Securities
SWISS FRANCS							
Municipality Finance	150	Dec 2008	3.25	102.95	-	-	Warburg Dillon Read
Skandia(k)	100	Oct 2004	2.75	103.35	-	-	ABN Amro(Zurich Brch)
Pacific Life Funding Cayman	300	Nov 2003	2.50	101.20	-	-	CSFB
Roche Intl Finance Corp	1bn	Mar 2003	2.00(l)	100.875	-	-	Warburg Dillon Read
EUROS(m)							
Republic of Finland(l)	500	Nov 2003	3.75	99.198R	3.932	+12(6%Sep03)	HSBC/Merrill Lynch
Istituto de Credito Oficial‡	300	Dec 2001	(y)	100.125	-	-	Morgan Stanley DW
SunAmerica Inst Funding‡	100	Dec 2008	(k)	99.70R	-	-	Cabola Holding
CANADIAN DOLLARS							
GE Capital Canada Funding	100	Dec 2004	5.25	99.565R	5.337	+23(6½Jun04)	CIBC Wood Gundy
NEW ZEALAND DOLLARS							
Province of Ontario	250	Dec 2008	6.25#	98.326R	6.408	+50(8%Nov08)	TD Securities
Bayerische Landesbank	100	Dec 2009	8.00	109.50	5.882	-	TD Securities
World Bank	250	Apr 2004	5½(k)	97.275R	6.18	+70(8%Apr04)	RBC DS Global Markets
DRACHMA							
European Investment Bank(t)	16bn	Dec 2001	7.50	99.38R	7.739	-	RBC DS Global Markets
BELGIAN FRANCS							
MBS-4(g1)‡	2.25bn	Oct 2000	(g1)	100.00	-	-	Bacob Bank
MBS-4(g2)‡	5.00bn	Apr 2006	(g2)	100.00	-	-	Bacob Bank
MBS-4(g3)‡	3.35bn	Oct 2011	(g3)	100.00	-	-	Bacob Bank
HLI -2, Class A(E)‡	18.8bn	Feb 2022	(E1)	100.00R	-	-	KBC Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¶With equity warrants. ☆Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 3-mth Libor flat. b) Secured on cashflows of Mansion's [illegible] assets. b1) 3-mth Libor +60bp. c) Secured on housing loans originated by Crédit Lyonnais. c1) Av life: 1.1 yrs. 3-mth Pibor +17bp. c2) Av life: 4.38 yrs. 3-mth Pibor +36bp. c3) Also issued: junior tranches B of FFr482.5m and Beta FFr482.5m. d) Fungible with SFr200m. Plus 62 days accrued. e) Payments in Ecu prior to Emu. Spread relates to German govt bonds. f) Plus 13 days accrued. Fungible with DM1bn upon Emu. g) Secured on Belgian mortgages originated by Bacob Bank. g1) Av life: 0.86 yrs. 3-mth Bibor +11bp. g2) Av life: 4.4 yrs. 3-mth Bibor +21bp. g3) Av life: 10.49 yrs. 3-mth Bibor +30bp. g4) Also issued: Class B of BFr280m. h) Lehman Brothers Commercial Mortgage Trust. Multi-tranche asset-backed. i) Over interpolated yield. j) Secured on trade receivables originated by Chargeurs. Av life: 5.6 yrs. (1) 3-mth Libor +80bp. k) Multi-tranche mortgage pass through securities. l) Long 1st coupon. m) Denom: $1,000 + 1 wrt to $1,000 Argentine 2027 global bond at 93.50%. n) $1bn launched 12/11/98 increased to $1.5bn. o) Puttable on 2/12/01 at par. q) Quarterly. r) Fungible with $300m. Plus 229 days accrued. s) Short 1st coupon. t) Secured on German corporate equipment loans originated by Gefa Group. 10% cleanup call. Av life 1.2 yrs. t1) 1-mth Libor +19bp. t2) Class B: DM20.16m, 2.6 yrs, 1-ML +45bp. u) Exchangeable into KBC Bancassurance Holding at BFr3,225. FX: 20.6307BFr/DM. Callable from 10/12/01 subject to 130% hurdle. Greenshoe: DM450m. v) Redeemed at par or Siemens shares at DM111.826. w) 6-mth Libor +100bp. x) Fungible with £350m. Plus 282 days accrued. y) Fungible with £450m. Plus 28 days accrued. z) 3-mth Libor +8bp. A) Br15bn increased to Br25bn. B) Toyota Auto Lease Trust. Legal maturities for A1-3: Dec 02, Dec 03, Feb 04. B1) 3-mth Libor +23bp. B2) 3-mth Libor +27bp. B3) 3-mth Libor +32bp. C) Fungible with $750m. Plus 62 days accrued. D) Secured on Japanese auto loans originated by Dicco. Av life 1.6 yrs. 5% cleanup call. D1) 1-mth Libor +60bp. E) Home Loan Invest. [illegible]

CURRENCIES & MONEY

Focus on GDP

By Alan Beattie

This week could show whether the US and UK economies continue to display their tendency to move in synchronised cycles, which has contributed to relative stability in "cable" compared with other cross-rates.

The second estimate of gross domestic product (GDP) growth in the US, released on Tuesday, is expected to be revised up from the 3.3 per cent annualised growth rate.

But much of this may be caused by higher stockbuilding, whose contribution to GDP growth is likely to be revised up from the previous estimate of 1 percentage point.

Unintentional rises in inventories may presage an economic slowdown, especially since domestic expenditure is not expected to be revised up.

Coincidentally, the prospects for US consumer spending may be also clarified on Tuesday with the release of the US consumer confidence index for November.

After falling in the wake of the Russia crisis and the subsequent fear of a meltdown in the world's financial system, the US feel-good factor as measured by some surveys appears to have recovered.

A similar pointer to the health of the UK economy arrives on Thursday with the release of the CBI monthly industrial trends survey for November. Although it only covers the manufacturing sector, the survey has proved itself over time to be a reasonably good indicator of overall GDP growth.

And since the demise of the average earnings index as the key indicator of inflationary pressure in the UK, surveys such as the CBI's seem to have gained a higher profile in the minds of the Bank of England's monetary policy committee.

The survey for October showed a collapse in business confidence.

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

Nov 20	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30

EURO CURRENCY INTEREST RATES

[illegible]

POUND IN NEW YORK

[illegible]

OTHER CURRENCIES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

BENCHMARK GOVERNMENT BONDS

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

BASE LENDING RATES

[illegible]

UK GILTS PRICES

[illegible]

هكذا من الاصل

EURO PRICES

EQUITIES

Slowdown remains core concern

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

Signs of slowing economic growth remain the main concern for European investors, despite the rally in share prices achieved at the end of last week.

Weak French industrial production numbers, which followed a downbeat Ifo survey of German business confidence, point to a slowdown from the buoyant picture of growth that was emerging earlier in the year.

A French survey of business confidence due to be released on Thursday is expected to show a further downturn in sentiment.

However, French gross domestic product numbers should reveal that the economy was still motoring ahead in the third quarter, with the consensus forecast for growth at an annual 2.9 per cent, according to Standard & Poor's MMS.

The corollary of all this, however, is that inflationary pressures are minimal, something which should be confirmed by west German data out this week. According to HSBC Economics, there will be a monthly decline in prices of 0.1 per cent, which will bring the annual rate of inflation down to 0.5 per cent.

There is still lingering talk that interest rates could be cut in core Europe, with one suggestion being that the European Central Bank in January will immediately reduce rates from 3.3 to 3 per cent.

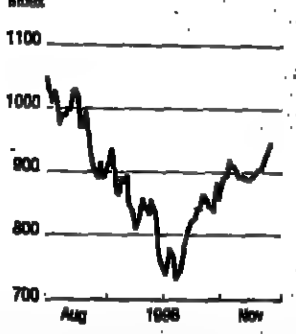
Those hopes and the wave of mergers and acquisitions in Europe kept share prices on the boil last week. Amsterdam, Helsinki, Paris and Zurich all made gains of 6.5 per cent or more.

On Friday, the FTSE Eurotop 100 index gained 54.77 or 2.1 per cent to 2,643.28, while the broader Eurotop 300 rose 23.11 to 1,136.28. The FTSE Ebloc 100 index of stocks in the single-currency zone was the strongest of the three, moving up 22.73 or 2.5 per cent to 946.55.

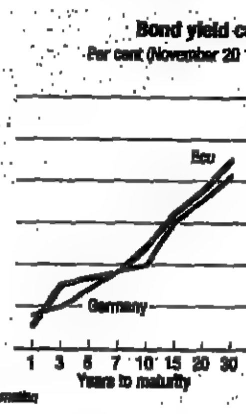
As on Thursday, the blue chips did much better than the rest of the market, with euro mid-cap stocks gaining only 1.2-1.5 per cent.

Results announced last week in continental Europe were largely in line with expectations, but investors remain nervous about the potential for disappointment, given "bottom up" forecasts of double-digit earnings growth in 1999.

FTSE Ebloc 100
Index



Bond yield curve
Per cent (November 20 1998)



Source: FTSE International, Interactive Data/FT Information

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	-	96.520	+0.005	-	-	0	0
Mar	96.585	96.595	-0.005	96.595	96.585	50	5982
Jun	-	96.590	-	-	-	0	2306
Sep	-	[illegible]	-0.005	-	-	0	1284

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Dec	Jan	Feb	Mar	PUTS Dec	Jan	Feb	Mar
96500	0.020	0.175	0.190	0.200	0.170	0.080	0.095	0.105
96625	0.005				0.280			

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2630.0	2658.0	+60.0	2658.0	2630.0	488	7211
Mar	-	2685.5	+80.0	-	-	0	1080

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2400 C	P	2425 C	P	2450 C	P	2475 C	P	2500 C	P	[illegible] C	P	2550 C	P	2575 C	P
Nov	129	8	108	11	85	14	65	20	48	25	30	39	22	54	13	71
Dec	192	54	160	61	140	85	128	781	113	88	90	97	80	108	61	135

Est vol total:450 Prev day's open interest total: 7,236 . Premiums shown are based on settlement prices.

OTHER INDICES

	Nov 20	Nov 19	Oct 18	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3184.31	3109.48	3030.84	3870.82	2433.07	3870.82	2433.07
DJ Euro Stx 50	3133.49	3049.88	2974.98	3658.48	2419.23	3658.48	2419.23
MSCI Europe	1138.17	1116.23	1094.35	1315.58	905.59	1315.58	810.78

Source: Eurobyest of FT Information. *Subject to revision next day. (x) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

November 20

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total rets (Ecu)
FTSE Eurotop 300	1136.28	+2.08	+23.11	2.41	30.37	1175.47
FTSE Eurotop 100	2643.28	+2.12	+54.77	2.42	38.38	946.91
FTSE Ebloc 100	946.55	+2.46	+22.73	2.23	14.82	960.57
FTSE EuroMid	1103.65	+1.23	+13.48	2.97	0.16	1141.02
FTSE EuroMid Ebloc	1158.04	+1.50	+17.04	2.80	0.02	1179.98
FTSE EuroMid Ex UK	1153.34	+1.45	+16.45	2.40	0.02	1174.30
FTSE Eurotop 300 Regions						
Eurobloc	1184.65	+2.36	+27.36	2.12	21.39	1209.71
UK	1062.04	+1.78	+18.53	2.88	49.38	1121.18
Europe Ex-Eurobloc	1098.21	+1.77	+19.12	2.73	36.23	1148.57
Europe Ex-UK	1179.37	+2.22	+25.66	2.18	19.78	1201.21
FTSE Eurotop Industry Sectors						
RESOURCES	873.04	+1.22	+10.50	3.27	[illegible]	912.95
Extractive Industries	742.52	-0.65	-4.35	4.65	14.64	758.20
Oil, Integrated	845.58	+1.30	+10.91	3.21	21.73	868.05
GENERAL INDUSTRIES	1029.89	+1.88	+19.08	2.67	21.18	1051.51
Construction	869.93	-0.31	-2.72	3.18	11.08	880.04
Building Matls & Merchs	879.38	-0.45	-3.97	2.54	8.96	888.98
Chemicals	865.38	+1.38	+11.86	2.83	17.45	870.48
Diversified Industrials	925.42	+0.89	+8.16	2.35	22.81	946.35
Electronic & Elect Eqdx	913.80	+1.79	+16.09	1.82	5.41	918.58
Engineering	828.66	+1.83	+14.89	4.05	11.66	836.72
Paper, Pckg & Printing	810.63	+2.70	+21.29	2.87	1.21	811.64
CONSUMER GOODS	1181.46	+1.40	+16.34	1.59	50.08	1249.48
Automobiles	871.89	+3.69	+32.03	2.61	10.25	879.97
Alcoholic Beverages	939.98	+0.50	+4.72	2.83	295.79	1400.29
Food Producers	1005.00	+1.78	+17.59	1.52	11.84	1016.61
Household Goods & Texts	1004.12	+2.07	+20.35	1.89	7.98	1011.54
Healthcare	864.29	-0.81	-7.08	1.35	13.51	877.22
Pharmaceuticals	1036.27	+1.25	+12.74	1.24	6.27	1041.89
Tobacco	1269.80	+2.71	+33.51	3.97	15.68	1287.06
SERVICES	1150.10	+1.80	+20.37	2.06	22.71	1181.89
Distribution	763.72	+1.70	+12.78	2.85	11.37	772.30
Leisure & Hotels	703.07	+1.28	+8.87	3.62	12.27	713.08
Media	990.74	+2.12	+20.53	2.23	10.69	1001.32
Retailers, Food	1033.50	+1.52	+15.82	1.59	14.17	1048.45
Retailers, General	971.01	+1.87	+18.75	3.34	20.48	991.03
Telecommunications	1089.82	+2.13	+22.68	1.78	13.02	1103.06
Breweries, Pubs & Rests	748.70	+0.17	+1.25	3.57	16.00	781.84
Support Services	910.75	+2.73	+24.45	1.80	9.67	928.54
Transport	940.07	-0.05	-0.44	2.61	18.24	953.51
Information Technology	889.46	+1.04	+9.20	0.41	2.33	891.57
UTILITIES	1480.37	+1.27	+18.32	3.04	55.82	1542.59
Electricity	1101.49	+1.39	+15.05	3.20	28.23	1130.91
Gas Distribution	1185.76	+0.91	+10.73	1.57	93.32	1305.59
Water	1044.93	+1.28	+13.24	4.85	38.72	1084.54
FINANCIALS	1207.09	+3.14	+36.79	2.71	27.40	1239.46
Banks, Retail	936.20	+3.00	+28.02	3.49	13.08	947.53
Insurance	936.34	+2.85	+24.49	1.48	11.79	947.84
Life Insurance	1089.49	+2.31	+24.88	1.77	12.88	1113.76
Other Financial	837.52	+2.37	+19.41	2.31	16.95	851.51
Investment Companies	931.24	+2.30	+20.90	1.46	30.86	948.85
Property	690.82	-0.98	-8.16	3.63	16.01	693.12

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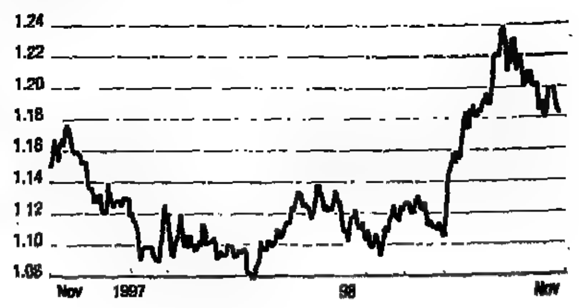
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Nov 20	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.051377	+0.0009	+0.01	+0.0008	+0.01
Belgium	BEF	41.195754	+0.0072	+0.02	-0.0008	+0.00
Czech Republic	CZK	35.663587	-0.1354	-0.38	+0.0556	+0.16
Denmark	DKK	7.592271	-0.0016	-0.02	-0.0025	-0.03
Finland	FIM	6.072387	+0.0005	+0.01	-0.0007	-0.01
France	FRF	6.698454	+0.0014	+0.02	-0.0016	-0.02
Germany	DEM	1.997051	+0.0000	+0.00	-0.0001	+0.00
Greece	GRD	334.733983	+0.2927	+0.09	-0.9864	-0.29
Hungary	HUF	259.030058	-0.1842	-0.07	+1.2910	+0.50
Ireland	IEP	0.803458	+0.0000	+0.00	+0.0010	+0.13
Italy	ITL	1977.035522	+0.2839	+0.01	+1.2080	+0.06
Luxembourg	LUF	41.195754	+0.0072	+0.02	-0.0008	+0.00
Netherlands	NLG	2.251782	+0.0001	+0.01	-0.0003	-0.02
Norway	NOK	8.824773	-0.0612	-0.69	-0.0460	-0.52
Poland	PLN	4.090365	-0.0041	-0.10	-0.0092	-0.22
Portugal	PTE	204.790263	+0.0720	+0.04	-0.0576	-0.03
Romania	ROL	11772.749694	-16.2002	-0.14	+88.8807	+0.76
Russia	RUB	20.754571	-0.1666	-0.80	-0.7629	-3.55
Slovakia	SKK	43.367593	-0.0081	-0.02	-0.1206	-0.28
Spain	ESP	169.785402	-0.1990	-0.12	-0.0965	-0.06
Sweden	SEK	9.559757	-0.0452	-0.47	-0.0608	-0.63
Switzerland	CHF	1.644519	+0.0023	+0.14	-0.0009	-0.05
United Kingdom	GBP	0.713815	+0.0012	+0.17	+0.0040	+0.56
ECU	ECU	1.015732	+0.0003	+0.03	+0.0010	+0.10
Americas						
Brazil	BRL	1.412968	-0.0062	-0.44	+0.0053	+0.38
Canada	CAD	1.828886	-0.0118	-0.64	-0.0057	-0.31
Mexico	MXN	11.707707	-0.0830	-0.70	-0.1104	-0.93
United States	USD	1.162597	-0.0061	-0.51	+0.0003	+0.03
Pacific/Middle East/Africa						
Australia	AUD	1.837048	-0.0045	-0.24	-0.0122	-0.66
Hong Kong	HKD	9.155782	-0.0494	-0.54	+0.0008	+0.01
Japan	JPY	142.207248	+0.9905	+0.70	-2.2970	-1.59
Singapore	SGD	1.925267	-0.0034	-0.18	-0.0285	-1.46
South Africa	ZAR	6.855063	-0.0555	-0.82	-0.1375	-2.02

Source: FTSE International Ltd.This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0677, BEF 0.0386, ESP 0.0848, IEP 0.0118, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar
$ per Euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Nov 20	Fixed rate	Market rate	Diff bd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0361	+0.01	+0.00	7.0363	3.58	+0.03
Belgium	20.6255	20.6283	+0.01	+0.01	20.6292	3.59	+0.04
France	3.35386	3.3532	-0.02	+0.00	3.3533	3.58	+0.03
Finland	3.04001	3.0407	+0.02	+0.03	3.0406	3.52	-0.03
Ireland	0.402676	0.4023	-0.09	-0.21	0.4025	4	+0.45
Italy	990.002	989.9775	+0.00	-0.07	990.2809	3.83	+0.28
Luxembourg	20.6255	20.6283	+0.01	+0.01	20.6292	3.59	+0.04
Netherlands	1.12674	1.1276	+0.08	+0.08	1.1273	3.31	-0.24
Portugal	102.505	102.5463	+0.04	+0.07	102.5495	3.58	+0.03
Spain	85.0722	85.0181	-0.06	-0.01	85.0631	4.03	+0.48
Germany	1		+0.00	+0.00		3.55	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

INTEREST RATE SWAPS

Nov 20	D-Mark Bid	D-Mark Ask	Ecu Bid	Ecu Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.52	3.55	3.58	3.62	6.40	6.43	5.08	5.11	0.35	0.38
2 year	3.54	3.57	3.56	3.60	6.05	6.09	5.14	5.17	0.42	0.45
3 year	3.64	3.67	3.65	3.69	5.98	6.02	5.20	5.23	0.52	0.55
4 year	3.76	3.79	3.77	3.81	5.93	5.97	5.24	5.27	0.64	0.67
5 year	3.91	3.94	3.92	3.96	5.86	5.90	5.27	5.30	0.77	0.80
6 year	4.04	4.07	4.05	4.09	5.79	5.83	5.32	5.35	0.89	0.92
7 year	4.18	4.21	4.19	4.23	5.75	5.79	5.37	5.40	1.02	1.05
8 year	4.30	4.33	4.31	4.35	5.71	5.75	5.43	5.46	1.15	1.18
9 year	4.40	4.43	4.40	4.44	5.70	5.74	5.48	5.51	1.28	1.31
10 year	4.48	4.51	4.49	4.53	5.68	5.72	5.53	5.56	1.41	1.44
12 year	4.65	4.68	4.64	4.68	5.66	5.71	5.63	5.66	1.66	1.70
15 year	4.83	4.86	4.84	4.88	5.63	5.69	5.72	5.75	1.92	1.98
20 year	5.02	5.05	5.02	5.06	5.60	5.67	5.82	5.85	2.11	2.16
25 year	5.15	5.18	5.15	5.19	5.58	5.65	5.82	5.85	2.17	2.22
30 year	5.22	5.25	5.22	5.26	5.57	5.66	5.82	5.85	2.26	2.31

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR, £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR, D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

GOVERNMENT BOND SPREADS vs ECU

Nov 20	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	-0.09	+0.03	+0.23	-0.01	-0.04	-0.12
Belgium	-0.12	-0.01	+0.13	+0.13	+0.03	+0.04
Finland	-0.22	+0.04	+0.24	+0.16	-0.46	-0.84
France	-0.17	-0.11	-0.08	-0.06	-0.05	-0.18
Germany	-0.20	-0.12	+0.05	-0.19	-0.11	-0.17
Ireland	-0.03	-0.02	+0.13	+0.16	+0.20	+0.58
Italy	+0.05	+0.09	+0.21	+0.20	+0.14	+0.11
Luxembourg	-0.12	-0.01	+0.13	+0.13	+0.03	+0.04
Netherlands	-0.10	-0.06	+0.06	-0.06	+0.05	-0.17
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
"Outs"						
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Greece	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Interactive Data/FT Information. Table shows ... [illegible]

EUROZONE CORPORATE BONDS

Nov 20	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium (Kingdom of)	03/08	5.750	N/A	111.190	4.27	-0.01	-0.02	+0.06
France (Rep of)	04/08	5.250	AAA	108.550	4.12	+0.00	-0.06	-0.07
Italy (Rep of)	05/08	5.000	AA	105.140	4.33	+0.00	-0.11	+0.14
Portugal (Rep of)	06/08	5.375	AA-	107.250	4.42	-0.04	-0.07	+0.23
Euro issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.870	3.91	-0.01	-0.01	+0.09
Gen Electric Cap Crp	10/04	5.500	AAA	108.020	3.94	+0.02	-0.01	+0.07
Oest Kontrollbank	04/08	5.250	AAA	106.680	4.37	-0.02	-0.12	+0.18
Cred Local de France	04/08	5.250	AA+	105.040	4.88	-0.01	-0.12	+0.39
Ecu issues								
Bayer Hypo & Wech Bk	07/01	5.000	AA-	102.520	3.96	+0.03	+0.15	+0.22
Cred Foncier France	03/04	8.375	A	118.480	4.30	-0.01	+0.00	+0.52
Euro Inv Bank	04/04	5.250	AAA	107.060	3.77	-0.03	-0.28	-0.10
ABN Amro Hldg. NV	04/07	6.375	AA-	111.050	4.75	-0.01	-0.15	+0.67

Source: Interactive Data/FT Information, London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

EUROZONE CREDIT SPREADS vs ECU

Nov 20	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/08	5.000	DEM	+0.15	+0.14	+0.17
France Telecom	AA+	11/08	6.250	FRF	+0.28	+0.24	+0.24
Halifax	AA	07/07	5.625	DEM	+0.45	+0.48	+0.45
Ing Bank NV	AA-	01/08	5.500	NLG	+0.33	+0.30	+0.42
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.27	+0.26	+0.30
Cred Foncier	A	02/03	7.250	DEM	+0.40	+0.49	+0.42
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.51	+0.50	+0.62
Generale des Eaux	N/A	03/04	6.250	FRF	+0.41	+0.40	+0.41
Bank of China	[illegible]	07/09	7.125	DEM	+1.82	+1.98	+2.43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Interactive Data/FT Information. Table shows yield spreads ... [illegible]

FTSE EUROTOP 300

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ALCOHOLIC BEVERAGES — AUTOMOBILES — BANKS RETAIL — BREWERIES, PUBS & RESTAURANTS — BUILDING MATERIALS & MERCHANTS — CHEMICALS — CONSTRUCTION — DISTRIBUTORS — DIVERSIFIED INDUSTRIALS — ELECTRICITY — ELECTRONIC & ELECTRICAL EQPT. — ENGINEERING — EXTRACTIVE INDUSTRIES — FOOD PRODUCERS — GAS DISTRIBUTION — HEALTH CARE — HOUSEHOLD GOODS & TEXTILES — INFORMATION TECHNOLOGY — INSURANCE — INVESTMENT COMPANIES — LEISURE & HOTELS — LIFE INSURANCE — MEDIA — OIL, INTEGRATED — OTHER FINANCIAL — PAPER, PACKAGING & PRINTING — PHARMACEUTICALS — PROPERTY — RETAILERS, FOOD — RETAILERS, GENERAL — SUPPORT SERVICES — TELECOMMUNICATIONS — TOBACCO — TRANSPORT — WATER

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Allied Domecq	♣N	515xd	—	Q25.32	1.5	5,381	2.11	2323
Belmer (HP)		355	—	15.0	1.5	187.4	10.8	2005
Burn Stewart		18	—	–	–	10.7	10.97	1518
Diageo	♣N	695xd	6.4	Q19.8	1.5	24,565	5.10	2791
Glenmorangie A	†	687½	–1.4	14.45	2.5	93.5	13.7	3257
B	†	825	–.3	7.22	2.5	33.0	13.7	3258
Highland		280	—	9.35	2.3	334.9	5.5	2880
5¾pc Cv Sb Bd		96	1.7	Q5¾%	–	47.0	5.1	2323
Kirin Y		634½	2.3	Q24%	1.7	6,678	25.12	1119
Matthew Clark	♣♦	240	0.2	13.0	2.3	212.4	1.8	2153
Merrydown		23½	—	–	–	8.23	7.97	3352
Seagram C$		120⅝	0.7	Q66c	–	7,059	29.8	–

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Continued

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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هكذا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the UK Official List.

[illegible]

AIM - Continued

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
Figures or report awaited
Rule 21(4)(a) Overseas incorporated companies listed on an approved exchange.
♣ Free annual/interim report available, see details below
‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
# Price at time of suspension
· Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
§ Forecast dividend, cover based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
g Assumed dividend.
h Assumed dividend after scrip issue
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend, cover relates to previous dividend.
u Forecast or estimated annualised dividend rate, cover based on previous year's earnings.
z Dividend includes a special payment. Cover does not apply to special payment.
F Dividend based on prospectus or other official estimates for 1998-99.
G Assumed dividend after pending scrip and/or rights issue.
H Dividend based on prospectus or other official estimates for 1998.
K Dividend based on prospectus or other official estimates for 1998.
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend).
O Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
ex dividend;
ex scrip issue;
ex rights;
ex all;
ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service. Additions: Allied Zurich, PWS (Ins). Deletions: Polytechnos (Eng), Alexode, Kenor (Exttod), Willis Corroon (Ins), General Cable (Tele), Wessex Water (Wtr), Intl Tool & Supply (AIM).

♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

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For Retail Price Index details call 0891 43 0005.

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda 001 441 292 2760

Newport Investment Management

Orion Fund Limited

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd

Morgan Stanley Offs Advisory Mortgage Fd Inc

National Investment Trust Company Ltd

North Atlantic Management Co Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd

Opportunity Fund (z)

Orion Capital Advisors Ltd

The Osprey Group Of Funds

Pacific & General Investments Inc

Pakistan Fund

Paulson International Ltd

Perry Partners International Inc

Philippine Income Fund Inc

Pro Value AG

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 249, St Peter Port, Guernsey 01481 723027

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710051

ABN AMRO Global Liquidity Funds Plc
30 Herbert St Dublin 2 Ireland

Aberdeen Prolific International Fund Plc
53 Fitzwilliam Square, Dublin 2
Tel: 00 353 1 670 2115

BT Fund Managers (Ireland) Ltd (a)
6 George's Dock, IFSC, Dublin 1

Bank of Cyprus Group
1 Harbourmaster Place, IFSC Dublin 1

BOC International Fund Management Ltd

Lazard Investment Funds Ltd
20/22 Lower Hatch Street, Dublin 2, Ireland 3531 7905858

Baring International Fund Managers (Ireland) Ltd

Lazard Investment Funds Ltd - Contd.

Lehman Brothers/SLG Partners Asset Mngmt

Morgan Grenfell Investment Funds Ltd (a)
20 Finsbury Circus, London EC2M 1UT 0171 545 7424

Christows Investments Plc

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

JERSEY
(REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

AIB Govett Management (Jersey) Limited

Bank of Ireland Asset Mngmt (Jersey) Ltd

American Phoenix Investment Portfolios (x)

Bank Von Ernst & Cie AG

Framlington International Portfolios

Frontrunner I (a)

Mercury Asset Management - Contd.

LUXEMBOURG
(REGULATED)(**)

ACM Offshore Funds

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

LUXEMBOURG
(FSA RECOGNISED)

ABN AMRO Funds (x)

OFFSHORE INSURANCES

Aberdeen International Ltd

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 20 / Sch)

BELGIUM/LUXEMBOURG (Nov 20 / Frs.)

CZECH REP (Nov 20 / Koruna)

DENMARK (Nov 20 / Kr)

FINLAND (Nov 20 / Mk)

FRANCE (Nov 20 / Frs)

GERMANY (Nov 20 / Dm.)

GREECE (Nov 20 / Drachma)

IRELAND (Nov 20 / Punt)

ITALY (Nov 20 / Lira)

NETHERLANDS (Nov 20 / Fls.)

NORWAY (Nov 20 / Krone)

POLAND (Nov 20 / Zloty)

PORTUGAL (Nov 20 / Escudo)

SPAIN (Nov 20 / Pta.)

SWEDEN (Nov 20 / Kronor)

SWITZERLAND (Nov 20 / Frs.)

TURKEY (Nov 20 / TK Lira)

PACIFIC

JAPAN (Nov 20 / Yen)

HONG KONG (Nov 20 / H.K.$)

INDONESIA (Nov 20 / Rupiah)

MALAYSIA (Nov 20 / MYR)

NEW ZEALAND (Nov 20 / NZ $)

SINGAPORE (Nov 20 / S$)

SOUTH KOREA (Nov 20 / Won)

TAIWAN (Nov 20 / TW $)

THAILAND (Nov 20 / Baht)

AUSTRALIA (Nov 20 / Aus$)

AMERICAS

CANADA

TORONTO (Nov 20 / Can $) 4 pm close

MONTREAL (Nov 20 / Can $) 4 pm close

MEXICO (Nov 19 / Peso) Closed Nov 20

AFRICA

SOUTH AFRICA (Nov 20 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 20 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY NOVEMBER 19 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (79)	200.49	0.2	179.41	152.38	176.91	307.14	1.4	3.61	198.32	177.16	149.68	174.69	205.38	219.96	163.86	195.28
Austria (22)	184.34	-2.5	164.98	140.12	161.83	161.73	-8.4	2.16	180.35	160.31	135.44	157.53	157.42	253.73	166.45	192.05
Belgium (27)	375.93	47.7	336.41	285.75	330.04	322.95	38.9	2.09	372.24	330.85	279.53	325.12	318.08	398.52	249.06	253.25
Brazil (32)	165.91	-30.4	148.47	126.11	146.65	364.87	-25.5	2.44	162.94	144.82	122.36	142.31	358.08	269.34	102.68	216.13
Canada (119)	198.03	-6.8	177.22	150.53	173.86	221.76	0.8	1.79	195.15	173.45	146.55	170.44	218.82	248.70	158.94	214.53
Denmark (34)	458.43	2.5	410.25	348.46	402.47	400.29	-3.9	1.75	458.47	407.49	344.29	400.43	398.36	537.33	415.82	423.88
Finland (25)	476.46	71.1	426.38	362.17	418.30	513.45	61.3	1.78	473.11	420.60	355.28	413.22	507.17	506.46	267.50	314.08
France (71)	312.95	30.8	280.03	237.86	274.73	277.95	23.1	2.25	306.48	272.39	230.14	267.87	270.75	345.18	225.24	231.67
Germany (59)	271.33	18.3	242.81	206.24	238.21	238.21	11.1	1.36	265.51	236.08	200.14	232.77	232.77	325.61	218.42	222.03
Greece (39)	303.25	0.0	275.84	234.38	270.62	625.44	0.6	1.39	305.31	271.36	229.27	266.66	615.76	333.20	211.47	–
Hong Kong, China (67)	317.78	-11.0	284.37	241.55	278.99	315.86	-11.1	4.14	322.82	286.92	242.42	281.85	320.95	388.07	198.84	342.15
Indonesia (26)	51.70	-21.8	46.27	39.30	45.39	238.67	7.2	1.33	46.87	41.66	35.20	40.94	219.26	100.77	19.04	97.71
Ireland (16)	499.42	24.1	446.03	378.85	437.57	477.14	20.2	2.03	492.00	437.30	369.47	429.72	468.57	560.44	377.17	379.65
Italy (58)	160.28	36.2	143.44	121.83	140.72	200.12	28.8	1.30	158.21	140.62	118.81	138.18	196.49	184.49	108.44	110.33
Japan (480)	96.69	3.6	88.32	75.02	86.65	75.02	-4.2	1.00	97.37	86.54	73.12	85.04	73.12	109.73	76.83	101.38
Mexico (2?)	1154.64	-36.0	1033.27	877.05	1013.70	12498.02	-21.4	2.04	1152.43	1024.29	865.42	1006.54	12496.02	1803.07	787.15	1555.09
Netherlands (20)	491.64	19.9	439.97	373.71	431.63	427.27	12.7	2.18	479.44	426.13	360.04	418.75	414.50	582.38	391.03	413.77
New Zealand (10)	58.26	-23.8	52.14	44.28	51.15	57.64	-17.6	5.06	58.83	52.29	44.18	51.38	57.48	83.74	45.88	82.61
Norway (30)	227.79	-23.7	203.84	173.14	199.98	230.71	-27.8	2.81	224.12	199.20	168.30	195.75	227.40	367.71	181.86	339.74
Philippines (22)	82.01	3.4	73.39	62.34	72.00	161.65	2.5	0.96	81.10	72.08	60.90	70.83	160.05	106.98	42.48	99.28
Portugal (19)	254.52	0.0	227.58	193.31	223.27	301.44	0.0	1.11	254.48	226.18	191.10	222.26	299.08	299.30	194.13	–
Singapore (41)	208.67	-7.3	186.73	158.61	183.19	156.55	-10.5	2.02	206.86	183.86	155.34	180.67	154.67	264.82	102.45	238.17
South Africa (?)	213.42	-19.6	190.99	162.22	187.37	262.50	-7.0	3.54	213.18	189.48	160.09	186.19	263.04	346.20	151.55	273.18
Spain (30)	376.30	38.5	336.74	286.03	330.36	409.28	30.4	1.94	370.60	329.41	278.30	323.68	401.49	417.73	258.99	283.13
Sweden (45)	488.83	4.1	437.45	371.57	429.16	584.98	6.1	2.00	487.08	432.92	365.77	425.42	582.64	628.19	379.18	480.78
Switzerland (37)	408.15	19.5	365.25	310.24	358.33	351.88	14.2	1.21	402.43	357.68	302.20	351.49	344.67	438.48	307.73	321.70
Thailand (30)	24.95	29.3	22.33	18.97	21.91	34.96	-3.1	2.71	22.20	19.73	16.67	19.39	31.24	33.84	8.15	27.27
United Kingdom (2??)	367.04	10.6	328.46	278.99	322.23	328.46	9.9	3.00	362.76	322.43	272.42	316.84	322.43	401.84	307.96	327.27
USA (6??)	476.51	20.2	426.42	362.30	418.34	476.51	20.2	1.37	472.19	419.68	354.59	412.41	472.19	485.88	376.74	390.22
Americas	424.59	17.9	379.96	322.74	372.76	360.15	18.5	1.39	420.66	373.87	315.88	367.40	356.83	437.03	343.40	354.22
Europe	344.14	19.0	307.97	261.59	302.13	313.79	14.5	2.14	339.13	301.42	254.57	296.20	307.49	388.24	278.58	283.37
Eurobloc	99.29	0.0	88.86	75.48	87.17	94.35	0.0	1.82	97.54	86.69	73.25	85.19	92.21	113.28	81.53	–
Nordic (146)	453.59	10.1	406.18	345.01	398.49	458.78	8.8	1.95	451.81	401.57	339.28	394.61	455.70	555.97	360.04	429.69
Pacific Basin	106.63	0.9	95.60	81.20	93.79	83.24	-5.4	1.58	105.71	93.95	79.39	92.33	81.65	119.48	82.88	110.97
Euro-Pacific	205.43	12.7	183.84	156.15	180.36	169.76	7.4	1.87	202.69	180.16	152.21	177.04	168.34	220.19	166.00	182.88
North America	457.76	19.0	409.66	347.96	401.90	459.02	19.4	1.38	453.53	403.10	340.58	396.12	454.78	469.20	367.30	379.12
Europe Ex. UK	321.11	23.7	287.36	244.08	281.92	297.15	17.2	1.73	315.93	280.85	237.29	275.98	290.93	366.32	240.34	253.60
Europe Ex. Eurobloc	94.22	0.0	84.32	71.62	82.72	93.47	0.0	2.48	93.16	82.80	69.96	81.36	91.95	109.93	77.40	–
Europe Ex. UK Ex. Eurobloc	95.71	0.0	85.65	72.75	84.03	92.28	0.0	1.47	94.70	84.17	71.12	82.71	90.87	109.21	75.15	–
Pacific Ex. Japan	184.70	-0.1	164.84	140.01	161.72	185.64	-8.2	3.68	184.29	163.89	138.47	161.05	185.56	217.77	128.26	199.69
World Ex. Americas	100.19	0.0	89.66	76.16	87.96	99.13	0.0	1.63	99.21	88.18	74.50	86.65	97.90	103.16	83.08	–
World Ex. UK	205.42	10.2	183.82	156.14	180.34	174.93	6.2	1.98	202.70	180.16	152.21	177.04	171.51	221.91	165.85	186.53
World Ex. USA	285.72	15.8	255.69	217.18	250.84	255.56	13.6	1.51	282.58	251.16	212.20	246.81	252.10	298.02	234.86	244.88
World Ex. Japan	389.36	16.9	348.43	295.96	341.83	378.77	15.7	1.73	385.17	342.34	289.24	336.41	373.95	411.23	318.78	327.59
The World Index	292.71	15.3	261.94	222.46	256.98	282.29	13.2	1.60	289.47	257.23	217.38	252.83	258.60	306.58	242.08	251.90

Emerging markets: IFC investable indices

Dollar terms

Nov 19 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	878.80	+1.3	-21.2
Brazil	328.71	-2.8	-31.7
Chile	498.93	+2.4	-23.8
Colombia	383.90	+3.8	-63.5
Mexico	490.25	-0.9	-37.8
Peru	149.52	+1.1	-32.5
Venezuela	352.45	+1.8	-60.4
East Asia			
China	30.87	+0.8	-44.0
India	62.71	-1.0	-24.8
Indonesia	23.36	+2.9	-30.6
Korea	36.44	+4.4	+51.6
Malaysia	72.39	-0.0	-29.8
Pakistan	96.51	+0.2	-61.1
Philippines	115.11		+2.1
Sri Lanka	75.19	-3.4	-35.4
Taiwan, China	128.83	+3.5	-8.7
Thailand	64.57	+3.8	+37.3
Europe			
Czech Rep	49.03	-0.5	-10.4
Greece	549.85	+3.1	+69.8
Hungary	261.36	+1.2	-17.0
Poland	538.29	-1.5	-8.8
Portugal	288.75	+0.4	+36.8
Russia	22.46	+0.5	-84.9
Slovakia	38.66	-2.7	-60.8
Turkey	133.02	+2.3	-57.1
Mideast/Africa			
Egypt	84.93	-0.3	-30.4
Israel	100.39	+1.0	-17.5
Jordan	203.62		-3.2
Morocco	170.10	-1.1	+30.6
S Africa	141.47	+1.8	-21.3
Zimbabwe	99.33	+0.5	-80.5
Regions			
Composite	188.54	+1.0	-23.0
Latin America	457.42	-0.5	-32.5
Asia	99.90	+2.7	-7.3
EMEA	115.20	+1.4	-22.0
Europe	140.62	+1.4	-25.4
Eastn Europe	95.26	-0.1	-59.8
ME & Africa	58.32	+1.4	-18.5
Comp + Malay	189.76	+1.0	-22.9
Asia + Malay	98.30	+2.2	-8.8

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; [illegible]

4 pm Close November 20

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Trading suspended.

صكتا من الاجل

صكنا من الاجل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 20	Nov 19	Nov 18	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9159.55	9056.05	9041.11	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.38	105.17	105.31	107.02 (5/10)	104.42 (11/5)	107.02 (5/10/98)	54.99 (1/10/81)
Transport	2974.32	2956.86	2986.08	3686.02 (16/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	310.14	308.34	309.27	320.51 (8/10)	282.66 (9/1)	320.51 (8/10/98)	10.53 (8/7/32)

DJ Ind. Day's high 9147.88 (9147.22) Low 9007.22 (Theoretical) Day's high 9161.35 (9087.72) Low 9058.82 (9070.73) (Actual)

Standard and Poors	Nov 20	Nov 19	Nov 18	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1163.55	1152.61	1144.48	1186.75 (17/7)	927.88 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials‡	1388.61	1376.82	1368.59	1388.61 (20/11)	1077.40 (9/1)	1388.61 (20/11/98)	3.52 (30/6/32)
Financial‡	127.13	125.23	124.38	147.88 (14/7)	95.80 (8/10)	147.88 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	572.09	568.75	563.46	606.75 (17/7)	477.20 (8/10)	606.75 (17/7/98)	4.84 (25/4/42)
Amex Comp	675.01	673.22	667.85	763.87 (22/4)	563.75 (8/10)	763.87 (22/4/98)	524.20 (19/7/98)
NASDAQ Cmp	1928.21	1919.66	1897.44	2014.25 (20/7)	1419.12 (8/10)	2014.25 (20/7/98)	54.87 (31/10/74)
Russell 2000	394.29	394.37	392.12	491.41 (21/4)	310.28 (8/10)	491.41 (21/4/98)	123.86 (7/12/83)

RATIOS

	Nov 13	Nov 6	Oct 30	Year ago
Dow Jones Ind. Div. Yield	1.69	1.68	1.75	1.78
	Nov 18	Nov 11	Nov 4	Year ago
S & P Ind. Div. yield	1.25	1.29	1.30	1.50
S & P Ind. P/E ratio	33.53	32.98	32.70	25.38

US DATA

MARKET ACTIVITY

Volume (million)	Nov 20	Nov 19	Nov 18
NYSE	722.404	675.973	650.510
Amex	22.080	24.808	22.538
NASDAQ	875.677	[illegible]	[illegible]

NYSE	Nov 20	Nov 19	Nov 18
Issues Traded	3,518	3,514	3,500
Rises	1,740	[illegible]	[illegible]
Falls	1,236	1,258	1,505
Unchanged	541	595	512
New Highs	[illegible]	74	54
New Lows	26	32	30

NYSE TRADING ACTIVITY

Volume: 722,404,000

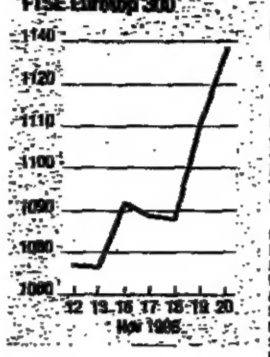
[illegible]

NASDAQ TRADING ACTIVITY

Volume: 875,677,000

[illegible]

Dow Jones



FTSE Eurotop 300

JAPAN

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

UK

[illegible]

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	1157.70	1187.50	+8.80	1188.00	1158.90	87,488	398,173
Mar	1174.30	1178.70	+8.00	1178.50	1168.80	5,548	20,408
Nikkei 225							
Dec	14540.0	14800.0	+440.0	14830.0	14540.0	38,863	100,401
Mar	14520.0	14780.0	+480.0	14780.0	14510.0	497	8,145

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett price
Nov	3740.0	3813.0
Dec	3740.0	3822.0
DAX		
Dec	4860.0	4934.0
Mar	4800.0	4954.0

[illegible]

WORLD MARKETS AT A GLANCE

Country	Index	Nov 20	Nov 19	Nov 18	1998 High	1998 Low	Yield	P/E
Argentina	General	19383.00	18851.47	18838.84	23485.47 23/3	12308.14 11/9	3.48	11.9
Australia	All Ordinaries	2703.6	2680.6	2658.7	2881.49 16/4	2458.20 1/9	3.11	20.7
	All Mining	625.6	628.3	625.0	713.10 23/4	[illegible] 31/8		
Austria	Credit Aktien	[illegible]	376.35	377.01	584.34 28/5	345.44 8/10	2.04	12.5

Mexcont rally earlier in the week pushed through resistance levels with help from surge in other markets.

News Corp and Telstra outpaced in broad rally of industrials and financials. Resources sector finished flat.

[illegible]

THE NASDAQ-AMEX MARKET GROUP

[illegible]

THE NASDAQ-AMEX MARKET GROUP

[illegible]

AMEX

[illegible]

EASDAQ

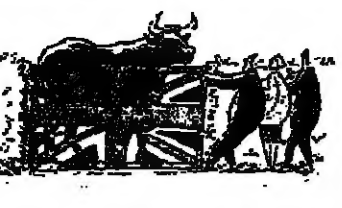
[illegible]

FT GUIDE TO THE WEEK

MONDAY 23

British beef hopes

European Union farm ministers are expected to vote to lift a worldwide ban on British beef exports. Voting rules mean that eight ministers would have to vote against the European Commission's plan to end the embargo



and this seems highly unlikely. Eight of the 15 countries have already indicated their support for lifting the ban. British exports are unlikely to resume for some months. The farm ministers, meeting in Brussels, will also discuss food aid for Russia and a proposed reform of the Common Agricultural Policy.

Money matters

European Union finance ministers meet in Brussels amid signs that they are preparing to pare back plans by the European Commission for a big increase in spending in the new millennium. Several are likely to call for a freeze in spending commitments at 1999 levels. The Ecofin meeting will be preceded by a gathering of finance ministers of the Euro-11 group of nations taking part in monetary union. A debate on how the group will be represented at international forums such as the International Monetary Fund will be high on the agenda.

Tuberculosis epidemic

The tuberculosis epidemic in Asia is the subject of a four-day conference in Bangkok to be attended by 1,500 lung disease specialists from 90 countries. The conference will review factors such as HIV/Aids, multidrug resistant TB and the region's financial crisis which are fuelling the epidemic. In a report released for the meeting, the World Health Organisation says among infectious diseases TB remains the biggest killer of youth and adults, accounting for 2m-3m deaths each year. Asia accounts for more than half the worldwide total of 8m new TB cases annually.

Ibrahim in court

The case against Anwar Ibrahim, former Malaysian deputy prime minister, is scheduled to resume in Kuala Lumpur. Ibrahim is accused of corruption and sexual misconduct.

Africa's image

Nearly 200 delegates and journalists gather in Cardiff for Reporting Africa: Return to the Agenda, the fifth international conference in a series devoted to areas that journalists find problematic. Editors and reporters will consider the icons, images and stereotypes that concern Africans and identify ways to change the image of Africa as a continent where war, famine and disaster are endemic. Every Commonwealth nation in Africa will be represented at the conference, which is sponsored by Shell International. Uganda's prime minister Kintu Musoke will give the keynote address and MEP Glenys Kinnock will provide the Brussels perspective (ends Tuesday).

The US celebrates Thanksgiving on Thursday with a traditional parade through New York

Socialist concerns

The Socialist International, which groups over 100 social democratic, socialist and labour parties around the world, meets today and tomorrow at the United Nations' European headquarters in Geneva. The meeting, chaired by former French prime minister Pierre Mauroy, will discuss globalisation and equality, and the role of democracy in the crisis spots of the Middle East, Algeria, the Great Lakes region and Kosovo.

Holiday

Japan, Georgia.

TUESDAY 24

Crude facts

The persistent weakness in oil prices this year and the poor outlook for an early recovery forms the dismal backdrop for the meeting in Vienna of oil ministers from the Organisation of Petroleum Exporting Countries. Opec countries as a whole stand to see their petroleum revenues this year fall by about a third, or around $50bn in total. But industry analysts do not expect any dramatic moves by the exporters group to cut output further. Many expect Opec to wait and see whether a cold northern winter will erode the big crude surplus that has helped drive prices to 12-year lows.

Aids update

UNAids, the joint United Nations programme on HIV/Aids, will publish an update on the global epidemic. The report, to be released in London, is expected to show that 11 people are newly infected with HIV every minute. The hardest-hit region continues to be sub-Saharan Africa, where the disease is wiping out all development gains.

Lahoud steps up

The new Lebanese president, General Emil Lahoud, a former army commander, is scheduled to be sworn in when the term of the incumbent, Ilyas Harawi, expires.

WEDNESDAY 25

Jiang's historic visit

Jiang Zemin, Chinese president, starts a six-day state trip to Japan. This will be the first official visit to the country by a Chinese head of state and marks the 20th anniversary of a peace and friendship treaty between the two countries. At a summit meeting, Mr Jiang and Keizo Obuchi, Japan's prime minister, are expected to sign a joint statement on bilateral co-operation into the 21st century. Mr Jiang will also meet Emperor Akihito, business leaders, and Diet members. He will also travel to the northern cities of Sendai and Sapporo.

Pinochet verdict

Britain's House of Lords, acting as the country's highest court, will rule on the extradition of former Chilean dictator Augusto Pinochet on his 83rd birthday. If the Lords uphold an earlier ruling by the high court, Pinochet will be free to return home to Chile.

Swedish bank vote

The Swedish parliament votes on proposed measures to make the central bank, the Riksbank, more independent.

Banana appeal

The US threat of trade retaliation against the European Union in their banana war will be raised by Brussels at today's meeting of the World Trade Organisation's dispute settlement body. Australia and the US are due to indicate how they plan to implement adverse WTO rulings on salmon and shrimps respectively. Canada is expected to secure a WTO panel to examine France's ban on asbestos imports. Another panel is likely to be set up to rule on Mexico's anti-dumping measures against US exports of high-fructose corn syrup, a sweetener for soft drinks.

PoW ruling

A Tokyo district court rules on claims by former British and Allied prisoners of war. Ex-PoWs are suing for compensation but no Japanese court to date has awarded them sizeable damages.

Indian votes

State elections are held in the Indian states of Delhi, Rajasthan, Madhya Pradesh and Mizoram.

FT Surveys

Lithuania; African Mining.

THURSDAY 26

Thanksgiving

The annual Thanksgiving parade is held in New York between Central Park West and Columbus Avenue.

Congo approach

A Franco-African summit meeting is held in Paris, where France hopes to effect a rapprochement with the Democratic Republic of Congo.

Play on

The first cricket test match between West Indies and South Africa gets under way in Johannesburg following the resolution of a rebellion over pay by Brian Lara, the West Indies captain, and his vice-captain Carl Hooper.

Holidays

US.

FRIDAY 27

Japan's pump-primer

An 18-day extraordinary Diet session opens today in Japan. During the session, the Diet members will discuss a third supplementary budget for fiscal 1998 which would cover the emergency economic pump-priming measures unveiled last week.

New republic

A summit meeting is scheduled to take place in Kiev between Russia, Moldova and Ukraine, to discuss the position of the self-proclaimed Dnestr Republic, on the slice of Moldovan land running between the Dnestr river and the Ukrainian border. The leader of the breakaway republic, Igor Smirnov, has already visited Moscow and the Russian government is thought to be sympathetic to the region's aspirations.

FT Surveys

Jersey; European Private Equity.

SUNDAY 29

Food for thought

A conference on securing food supplies for the next century will be held in Rome by the Inter-Parliamentary Union and the United Nations' Food and Agriculture

Organisation. The conference will look at ways of reaching the target set by the World Food Summit of halving the number of undernourished people by the year 2015.

Mali polls

Mali holds municipal elections in 682 new communes created under a decentralisation law.

Holiday

Liberia.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Tuesday: A substantial upward revision to US gross domestic product should result from a smaller trade deficit, and higher inventory production and consumer spending. Economists expect third quarter GDP growth of 4.1 per cent. US consumer confidence is expected to rebound, but sentiment may remain vulnerable to slowing job and income growth.
Wednesday: UK trade data are likely to reflect the collapse in Asian and Russian markets. The non-EU trade balance, which hit a record £1.89bn deficit in September, is thought to have narrowed slightly to a deficit of £1.6bn last month. US consumer spending is expected to have risen 0.6 per cent last month, with strong car sales delaying economic slowdown.
Thursday: Japanese industrial production figures will be scrutinised for signs of the economy stabilising. Bank of America believes industrial output dropped 2 per cent in October. A monthly UK business survey by the Confederation of British Industry survey will be downbeat.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Hong Kong	Oct consumer price index (a) **		2.3%
Nov 23	US	Oct Treasury budget $bn	-30.0	38.2
	Brazil	Nov exports $m 3rd week		0.87
	Brazil	Nov imports $m 3rd week		1.04
Tues	US	Q3 gross domestic product prelim	4.0%	3.3%
Nov 24	US	Q3 after tax corp profit prelim	0.7%	0.6%
	US	Oct durable orders	-0.5%	0.9%
	US	Oct durable shipments		1.5%
	Mexico	Nov 2-week consumer price index *	0.76%	0.78%
	Japan	Nov trade bal (1st 10 days nsa) Ybn		213
Wed	Taiwan	Oct M2		9.59%
Nov 25	France	Oct consumer price index final *	-0.1%	0.0%
	France	Oct consumer price index final **	0.5%	0.5%
	UK	Sep global visible trade £bn	-2.1	-1.3
	UK	Oct ex-EU visible trade £bn	-1.6	-1.8
	UK	Oct EU-harmonised consumer price ind		1.3%
	US	Oct personal income	0.4%	0.2%
	US	Oct personal consumer expenditure	0.6%	0.5%
	Canada	Oct industrial prod price index *	0.3%	-0.6%
	Canada	Oct raw materials price index	0.4%	1.6%
	Japan	Oct BoJ corp services price **		-0.6%
Thurs	France	Q3 prelim gross domestic product ★	0.7%	0.6%
Nov 26	France	Q3 prelim gross domestic product **	2.9%	3.1%
	Italy	Oct hourly wages **	2.1%	2.2%
	N'lands	Q3 gross domestic prod prelim ★ sa	0.5%	0.8%
	N'lands	Q3 gross domestic prod prelim ** nsa	3.6%	3.6%
	UK	Nov CBI industrial trends		n/a
	Japan	Oct industrial production sa	-1.1%	3.3%
	Japan	Oct shipments sa		4.1%
Fri	Japan	Oct unemployment rate	4.3%	4.3%
Nov 27	Japan	Nov consumer price index ** Tokyo	1.0%	0.4%
	Japan	Nov cons price ind ex-perishables **	-0.2%	-0.2%
	Japan	Oct consumer price index ** (nation)	0.3%	-0.2%
	France	Oct unemployment rate	11.7%	11.7%
	Belgium	Nov consumer price index *	0.1%	0.02%
	Belgium	Nov consumer price index **	0.7%	0.86%
	Canada	Sep fix-weight employee earnings **	1.5%	1.5%
	US	M2 week ended Nov 16 $bn	3.0	10.8
Sat	Malaysia	Oct M3 **		4.0%
Nov 28	Malaysia	Oct loan growth		4.5%
Sun	Hong Kong	Oct trade balance HK$bn		-1.5
Nov 29	Japan	Nov wholesale price ind (2nd 10 days)		-0.1%
During the week...				
	Germany	Oct Ifo consumer climate		100
	Germany	Oct import prices *	-0.5%	-0.8%
	Germany	Oct import prices **	-5.4%	-5.0%
	Italy	Oct M2, 3-month average **		7.2%
	Italy	Sep trade balance (payments) Lbn		5.5
	Italy	Oct balance of payments Lbn		-9.3

*month on month, **year on year ★ quarter on quarter — *Statistics, courtesy Standard & Poor's MMS.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 22.11.98 — Final Prices for Trading on 25.10.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	17.00	11.04	11.17	1.55
0100	22.70	11.04	11.17	1.55
0130	25.00	11.04	11.17	1.55
0100	-0.00	20.00	20.13	1.55
0130	0.00	20.00	20.13	1.55
0200	25.00	17.00	17.13	1.55
0230	21.17	11.59	11.72	1.55
0300	11.33	9.37	9.37	0.00
0330	22.70	9.35	9.35	0.00
0400	15.23	9.35	9.35	0.00
0430	11.25	9.35	9.35	0.00
0500	15.23	9.35	9.35	0.00
0530	14.75	9.35	9.35	0.00
0600	14.78	9.35	9.35	0.00
0630	14.60	9.34	9.34	0.00
0700	14.60	9.34	9.34	0.00
0730	14.60	9.35	9.35	0.00
0800	14.60	11.22	11.35	1.55
0830	14.60	11.34	11.47	1.55
0900	14.60	12.27	12.40	1.55
0930	16.07	12.52	12.65	1.55
1000	15.07	12.77	12.90	1.55
1030	15.07	12.77	12.90	1.55
1100	15.07	12.77	12.90	1.55
1130	17.00	15.08	15.21	1.55
1200	17.00	23.30	23.44	1.55
1230	27.03	23.30	23.44	1.55
1300	27.03	23.30	23.44	1.55
1330	17.00	23.30	23.44	1.55
1400	17.00	9.55	9.55	0.00
1430	15.60	10.45	10.45	0.00
1500	15.60	19.17	19.30	1.55
1530	15.60	9.55	9.55	0.00
1600	15.60	12.77	12.90	1.55
1630	18.06	9.55	9.55	0.00
1700	20.02	19.17	19.30	1.55
1730	49.23	23.12	23.25	1.55
1800	49.23	23.12	23.25	1.55
1830	49.22	23.12	23.25	1.55
1900	21.86	23.12	23.25	1.55
1930	17.48	17.78	17.91	1.55
2000	17.48	15.08	15.21	1.55
2030	17.48	17.53	17.66	1.55
2100	16.66	12.77	12.90	1.55
2130	15.07	15.08	15.21	1.55
2200	15.07	14.03	14.17	1.55
2230	15.07	17.09	17.22	1.55
2300	15.07	9.38	9.38	0.00
2330	15.07	9.37	9.37	0.00
2400	15.07	9.38	9.38	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.00/MWh becomes 1.600p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 23.11.98 — Final Prices for Trading on 26.10.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.07	9.39	9.39	0.00
0100	15.07	9.39	9.39	0.00
0130	16.07	12.52	12.24	1.31
0200	15.07	12.52	12.24	1.31
0230	15.07	9.39	9.39	0.00
0300	15.07	9.39	9.39	0.00
0330	15.07	9.39	9.39	0.00
0400	16.07	9.39	9.39	0.00
0430	15.07	9.38	9.38	0.00
0500	9.67	9.37	9.37	0.00
0530	9.39	10.30	10.20	0.00
0600	9.38	10.20	10.20	0.00
0630	9.38	10.40	10.40	0.00
0700	21.03	15.77	15.49	1.31
0730	30.85	26.94	26.67	1.31
0800	34.08	17.08	16.78	1.31
0830	92.37	34.71	34.44	1.31
0900	92.43	52.35	52.08	1.31
0930	30.85	56.03	55.78	1.31
1000	92.56	56.04	55.79	1.31
1030	92.56	52.37	52.11	1.31
1100	30.88	34.78	34.51	1.31
1130	45.20	34.77	34.52	1.31
1200	45.22	34.78	34.53	1.31
1230	65.04	62.56	62.31	1.31
1300	65.01	62.55	62.29	1.31
1330	30.78	34.74	34.47	1.31
1400	30.79	32.84	32.57	1.31
1430	30.80	32.84	32.57	1.31
1500	30.83	32.83	32.56	1.31
1530	31.03	32.84	32.57	1.31
1600	41.45	32.30	32.05	1.31
1630	100.69	33.46	33.44	1.31
1700	191.29	56.85	60.75	1.31
1730	244.77	81.11	87.49	1.31
1800	203.03	85.38	91.81	1.31
1830	102.22	73.46	77.81	1.31
1900	61.62	48.09	47.82	1.31
1930	45.25	44.47	44.78	1.31
2000	37.04	32.73	33.10	1.31
2030	29.45	32.85	32.58	1.31
2100	35.08	32.51	32.24	1.31
2130	33.65	27.82	27.55	1.31
2200	30.68	26.94	26.57	1.31
2230	21.05	15.77	16.49	1.31
2300	9.38	15.26	14.99	1.31
2330	9.34	15.77	15.49	1.31
2400	9.36	15.71	15.44	1.31

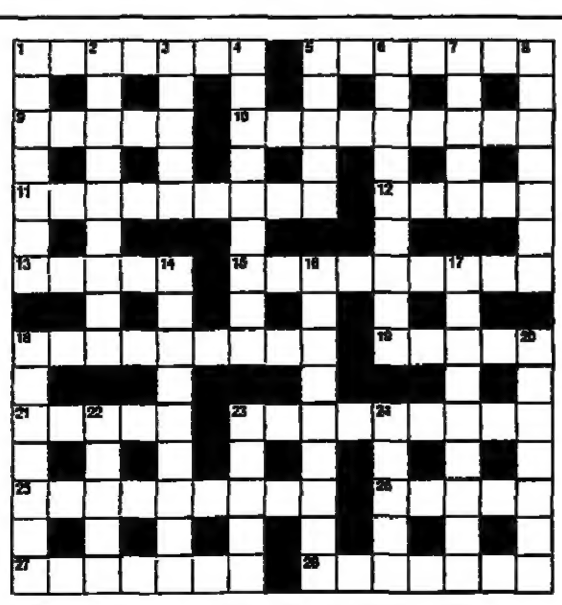
Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.00/MWh becomes 1.600p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded [illegible]

ACROSS

1 "Be bold", I resolved, and tried to influence people (7)
5 Term that's musical or legal, perhaps (7)
9 Hole in bamboo boat (5)
10 Counsel to wander and fail to keep an accurate record (4,5)
11 Weight-lifter takes fish, being fussy about meat (4,5)
12 It's a life abroad for him (5)
13 Strange device to raise river level before dam opens (5)
15 Tradesman explaining how he hopes to leave hospital? (9)
18 Ill-judgment (9)
19 Doctor gets notes about implant (5)
21 About time to go out – OK? (5)
23 Arrive with fresh request for admission (4,5)
25 Dog cart adapted for Croesus, for example (9)
26 It cuts a dashing figure (5)
27 Those who aim to be habit-free? (7)
28 List (7)

DOWN

1 Disease makes Jack low (7)
2 Skeleton service? (4,5)
3 Turn aside for inspiration (5)
4 Idler upset with debts – becomes hysterical (9)
5 One advantage of setting up a savings scheme (5)
6 Though a pound short, victualler may be making a profit (9)
7 Bird goes after note that is low and throaty (5)
8 Striking clothes last longer (7)
14 Relaxing one's guard is risky (9)
16 Striker on trial in international game (4,5)
17 Discussion at board level (5,4)
18 Poker-faced, departed to search for gold (7)
20 Prison for a debt-collector who has gone wrong (7)
22 Spherical bullet (5)
23 French priests sought in Lourdes (5)
24 Firm support for a king, perhaps (5)



Winner of Puzzle No.9,834: Marilyn Hulbert, Tisbury, Bath

MONDAY PRIZE CROSSWORD
No.9,846 Set by DANTE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday December 3, marked Monday Crossword 9,846 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday December 7. Please allow 28 days for delivery of prizes.

Name..

Address..

Solution 9,834

JOTTER PAD